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

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

For the transition period from July 1, 1998 to December 31, 1998

Commission File No. 0-25681

INTELLIGENT LIFE CORPORATION
(exact name of registrant specified in its charter)

Florida 65-0423422
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

11811 U.S. Highway One, Suite 101
North Palm Beach, Florida 33408
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (561) 630-1200

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

None

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

Common Stock, par value $0.01 per share

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the average of the closing bid and ask quotations for the Common Stock on June 30, 1999 as reported by the Nasdaq National Market, was approximately $25,011,940. The shares of Common Stock held by each officer and director and by each person known to the company who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a
conclusive determination for other purposes. As of June 30, 1999, Registrant had outstanding 13,440,988 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Part 1

Item 1. BUSINESS

EXCEPT FOR HISTORICAL INFORMATION, THE FOLLOWING DESCRIPTION OF THE COMPANY'S BUSINESS CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. THE OUTCOME OF THE EVENTS DESCRIBED IN THESE FORWARD-LOOKING STATEMENTS IS SUBJECT TO RISKS AND ACTUAL RESULTS COULD DIFFER MATERIALLY. THE SECTIONS ENTITLED "RISK FACTORS THAT COULD IMPACT FUTURE OPERATING RESULTS," "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND "BUSINESS" AS WELL AS THOSE DISCUSSED ELSEWHERE IN THIS ANNUAL REPORT CONTAIN A DISCUSSION OF SOME OF THE FACTORS THAT COULD CONTRIBUTE TO THESE DIFFERENCES.

Overview

Intelligent Life Corporation is one of the leading publishers of personal finance content on the Internet. Our six web sites include bankrate.com, the web's most complete source for banking, credit and interest rate information, the Whiz.com, which provided personal financial content for those new to the topic and Consejero.com, a spanish-language site focusing on personal finance and investing topics. Our online operations are the principal focus of our activities today. Prior to 1995, our principal businesses were the publication of print newsletters and syndication of bank and credit product research to newspapers and magazines. In 1995, we introduced the Consumer Mortgage Guide, which is an advertisement for newspapers consisting of product and rate information in tabular form from local mortgage companies that pay a weekly fee for inclusion in the table.

In fiscal 1996, we commenced our online operations by displaying our research through an Internet site, bankrate.com. By putting our information online, we were able to create new revenue opportunities through the sale of graphical and hyperlink advertising associated with our rate and yield tables. In fiscal 1997, we determined that we would concentrate principally on our online operations. Since that time, we would have significantly expanded the scope and depth of bankrate.com and made investments in four new online Internet web sites, the Whiz.com, Bankrate.com en Espanol, Consejero.com and CPNet.com.

In order to focus on our online activities, we have reduced the number of print newsletters we publish from five to three and eliminated active marketing of our print publications. We have also ceased marketing Consumer Marketing Guide as a separate product. We now provide this product to newspapers as a part of a broader relationship that is primarily directed toward online activities.

We believe that the recognition of our research is a leading source of independent, objective information on banking and credit products is essential to our success. As a result, we have sought to maximize distribution of our research to gain brand recognition as a research authority. We are currently seeking to build greater brand awareness at all of our web sites and reach a greater number of online users.

We publish our data online through our principal web site, bankrate.com, and through distribution (or syndication) arrangements with more than 70 web site operators. Information is presented for over 123 geographic markets and nationally, and includes data regarding mortgage and home equity loans, credit cards, automobile loans, checking accounts, ATM fees and yields on savings instruments. Our unique information, which is compiled by 40 researchers, is accompanied by extensive editorial content designed to assist consumers with
their decision-making process. Due to the average per capita income, level of education and professional status of bankrate.com's audience, we believe this audience, which may search for information by product and geographic area using this web site, represents a desirable group of target customers for our advertisers.

We are currently using the resources of bankrate.com to create new online publications that provide personal finance information to additional targeted audiences. These publications include: theWhiz.com, which targets an audience that is younger, more female and more ethnically diverse than typical personal finance publications; Consejero.com, which targets a Spanish-speaking audience; CPNet.com, which targets the college market; and Garzarelli.com, a subscription-based service. Our goal is to develop a broad base of loyal users of our network of web sites who believe our information can improve their personal financial lives.

Our Opportunity

We believe many purchasers of financial products and services are relatively uniformed with respect to these products and services, and often rely upon personal relationships when making such purchases. We also believe many of these products and services are not well explained and alternatives are not typically presented when mentioned to consumers through traditional media. As the sale of many of these products and services moves to the web, where there is little personal contact we believe that consumers will seek sources of independent objective information such as bankrate.com to facilitate and support their buying decisions. Because of the interactive nature of the internet, where web technology allows us to display extensive research on financial products and services that was previously unavailable to consumers, we believe we are able to provide a superior vehicle to educate consumers about how to best select and purchase such products and services.

We believe the majority of the financial information available on the web is oriented toward investment advice and providing business news and financial market information, rather than personal and consumer finance data. Our publications are targeted to fulfill the market need for personal and consumer finance information.

By expanding our comparative data regarding financial products and related editorial content, we are creating a unique web-based service designed to enable our audience to keep abreast of personal finance developments and better manage their financial affairs. As a result, we believe we can assemble a loyal base of users made up of targeted audiences that are attractive to advertisers.

We believe that advertising spending by financial producers and services components is growing relatively rapidly as compared to advertising spending in other categories. According to Advertising Age, advertising spending by financial products and services companies grew at an annual rate of 17% from 1996 to 1997.

We believe Intelligent Life will benefit significantly from the anticipated growth in Internet usage and spending on Internet advertising, direct marketing and electronic comments. The following table highlights anticipated growth in these areas.

<table>
<thead>
<tr>
<th>Internet Growth In the United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Internet users</td>
</tr>
<tr>
<td>Advertising spending</td>
</tr>
<tr>
<td>Direct marketing spending</td>
</tr>
</tbody>
</table>
Strategy

Our objective is to create a series of online publications that are trusted sources of editorial content for consumers in the area of personal finance.

Elements of our strategy include:

Increase Awareness of our Publications. We intend to aggressively promote our online publications. Developing greater awareness of our brand names should increase traffic and increase the value of our web sites to potential advertisers and web sites with which we may enter into distribution arrangements. Historically, we have had relatively low levels of promotional expenditures. With the proceeds of this offering, we anticipate increasing our market efforts substantially.

Expanding Existing Online Publications. We plan to expand and improve our existing online publications by including additional editorial and research content. Recent additions to bankrate.com include information regarding 30 year jumbo mortgages, VA mortgages, money market accounts, credit unions, Year 2000 issues and bank ratings. We expect forthcoming additions will include new content in the areas of investment and insurance on theWhiz.com and Consejero.com.

Grow Distribution Relationships. We intend to pursue new and expand existing distribution relationships in order to increase site traffic and raise the profile of our brand names. In particular, we intend to focus on increasing the number of distribution relationships we have for theWhiz.com and Consejero.com.

Add New Online Publications. We intend to use our expertise in producing online research and editorial content to develop new online publications similar in concept to bankrate.com in complementary areas such as property and casualty insurances and tax planning. In addition to developing publications internally and in order to accelerate our growth, we intend to pursue acquisitions of personal finance companies and products that will extend our network of web sites.

Provide High Value Added Selections in Advertisers. Delivering audiences to our advertisers on a targeted demographic basis, segmented by geographic region and product of interest, provides high value added marketing solutions to advertisers. By expanding the breadth and depth of our online publications adding to our advertising inventory, we believe we will be able to expand the scope of our services, thereby increasing sales to existing advertisers and attracting new advertisers.

Bankrate.com

Bankrate.com, our flagship web site, provides editorial and research information on banking and credit products to assist consumers in making informed financial decisions. Bankrate.com has its roots in our print publications and content syndication activities, which have provided surveys of interest rate data to consumers and institutions for over 16 years. Our online surveys have been expanded to include data on 46 products collected from more than 3,500 institutions nationwide. This information is gathered and presented by metropolitan area, which provides more valuable information to consumers than aggregated national information and allows advertisers to target prospective customers geographically. Media Metrix, Inc., an independent research firm, lists bankrate.com as the business site with the twenty-first and fifteenth highest volume of traffic during the third and fourth calendar quarters, respectively, of 1998, with 1.1 million and 1.3 million unique visitors. We believe that bankrate.com compares favorably to sites producing original editorial content on personal finance subjects in terms of pages viewed by a visitor during each visit. Bankrate.com may be compared to sites producing original editorial content on personal finance subjects during the third and
fourth calendar quarters of 1998 as follows:

### Comparison of Personal Finance Editorial Sites in 1998

<table>
<thead>
<tr>
<th></th>
<th>Third Quarter</th>
<th></th>
<th>Fourth Quarter</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unique Visitors(1)</td>
<td>Reach(2)</td>
<td>Viewed(3)</td>
<td>Unique Visitors(1)</td>
</tr>
<tr>
<td></td>
<td>(thousands)</td>
<td></td>
<td></td>
<td>(thousands)</td>
</tr>
<tr>
<td>Money (Pathfinder)</td>
<td>1,964</td>
<td>3.7%</td>
<td>5</td>
<td>1,783</td>
</tr>
<tr>
<td>Bankrate.com</td>
<td>1,070</td>
<td>2.0</td>
<td>26</td>
<td>1,323</td>
</tr>
<tr>
<td>Forbes</td>
<td>917</td>
<td>1.7</td>
<td>15</td>
<td>860</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Week</td>
<td>680</td>
<td>1.3</td>
<td>15</td>
<td>897</td>
</tr>
<tr>
<td>Red Herring</td>
<td>652</td>
<td>1.2</td>
<td>3</td>
<td>436</td>
</tr>
<tr>
<td>Fortune (Pathfinder)</td>
<td>592</td>
<td>1.1</td>
<td>17</td>
<td>828</td>
</tr>
<tr>
<td>Smart Money (Wall Street Journal)</td>
<td>484</td>
<td>0.9</td>
<td>20</td>
<td>261</td>
</tr>
<tr>
<td>Kiplinger's</td>
<td>279</td>
<td>0.5</td>
<td>5</td>
<td>189</td>
</tr>
</tbody>
</table>

Source of Data: Media Metrix, Inc.

(1) Unique Visitors means the estimated number of different web users that visited the site over the course of the reporting period.

(2) Reach means the number of unique web users that visited the site at least once over the course of the reporting period, expressed as a percentage of the total web audience.

(3) Average pages viewed means the average number of pages visited during the reporting period per user. Page means a single screen view of textual and graphical information.

Bankrate.com also distributes electronic newsletters daily and weekly to approximately 90,000 subscribers covering topics such as mortgages, credit cards, banking, small businesses, CD rates and Federal Funds rates. We also maintain message boards where visitors can post questions for members of the Bankrate.com community to answer. Topics parallel the channels offered by Bankrate.com.

### Distribution Arrangements

A significant portion of the traffic to bankrate.com, as well as our other web sites, is attributable to the distribution (or syndication) arrangements we have with other web site operators. Our distribution arrangements fall into two categories: (1) those in which we establish a "co-branded" site with another web site operator, and (2) those in which we provide content to the other operator's web site together with a hyperlink to our own site. We have found co-branding to be more effective in driving traffic to our sites.

Co-branded sites are created pursuant to agreements with other web site operators. Generally, agreements relating to co-branded sites provide for us to host, sell and serve advertisements to and collect revenues from the co-branded sites. Under these agreements, the other operators are typically paid 38%-40% of revenues generated by the related co-branded sites.

Under distribution arrangements that do not include co-branded sites, we contract to provide content in exchange for a fee. The content identifies bankrate.com as its source and typically includes a link to Bankrate.com. We have arrangements such as these with Yahoo!, SecureTax.com, Microsoft's MoneyCentral, CNNfn, Standard & Poor's and other web sites.

The table below lists parties with which we have distribution agreements as
Our research staff is made up of 40 people who track weekly comparative information on 46 financial products and services, including checking accounts, consumer loans, lines of credit, mortgages, certificates of deposit, savings accounts, credit cards, money market accounts and online accounts. We cover both personal and small business accounts offered through individual offices and on the internet by banks, thrifts, credit unions, credit card issuers, mortgage bankers and mortgage brokers. We estimate that over 150,000 items of data are gathered each week for over 123 markets across the United States and Puerto Rico from over 3,500 institutions. The information obtained includes not only rates and yields but related data such as lock periods, fees, points, and loan sizes for mortgages and grace period, late penalties, cash advance fees, minimum payments and terms and conditions for credit cards.

We adhere to a strict methodology in developing our markets and our institutional survey group. The market universe includes the 100 largest U.S. markets, as defined by the U.S. Census Bureau’s Metropolitan Statistical Area categories, along with the largest market in each state that does not include one of the largest 100 markets. We provide a comparative analysis of data by market as well as on a national basis.

Institutions in the survey group include the largest banks and thrifts within each market area based on total deposits. The number of institutions tracked within a given market is based on product availability and number of institutions in the market area. In each of the largest 50 markets, ten institutions are tracked. In each of the smaller markets, four or more
institutions are tracked. The institutions included in the survey group are verified, and adjusted if necessary, on a quarterly basis using FDIC data. Credit unions are not included in the market survey group since product availability is based on membership. The largest 50 U.S. credit unions are tracked as a separate survey group for comparison purposes.

All products included in our database have closely defined criteria so that information provided by institutions is truly comparative in nature. Data undergo three levels of quality control prior to being accepted for inclusion in the database. The first level is automatically performed by our editing software, which identifies unusual changes. The second level is visual proofing, which is performed by a researcher who gathers rates from institutions through surveys. The researcher reviews the surveys to determine whether there have been any changes in the data on a weekly basis. If there has been a change that is outside of a specified range, the researcher verifies that the data is correct by calling the institution. Once the data are verified, they are forwarded to a senior researcher for review. The third level is a dedicated quality control staff consisting of senior researchers reviewing each market to ensure that the data have been correctly updated and correctly entered into our databank. The quality control staff reviews each market for overall accuracy and consistency of all fees and related information disclosed to consumers. The staff also reviews the comparability of products, institutional accuracy and survey accuracy. In addition, anonymous shopping, in which we place calls to institutions in order to obtain rate information without identifying ourselves as bankrate.com, is performed on a weekly basis to validate data. Institutions providing invalid data are contacted by our quality control staff to ensure that future information will be accurate. Institutions listed in our tables on Bankrate.com that purchase hyperlinks to their own sites or other advertising must comply with the same criteria for product listings that apply to other institutions and quotes or they are removed. The criteria for product listings consists of specific attributes, such as loan size and term, that are used to define each type of financial instrument in order to ensure uniformity in the products that are compared. No special offers are listed on our internet sites. All of our new research employees are provided with a four-week program of classroom and on-the-job training to ensure consistency of data-gathering and validation techniques.

We are aware of the potential conflict of interest resulting from the sale of advertising to financial institutions while providing independent and objective research. However, no such conflicts of interests have compromised or are expected to compromise our ability to provide independent and objective research.

At the end of each weekly survey, data are archived as part of our 16 year old cumulative historical data file. This file provides a unique resource for our financial analysts and editorial team in developing trend graphs, charts and narrative analysis.

Editorial Content

In addition to our research department, we maintain an editorial staff of 18 senior editors and 21 full-time reporters. We also have relationships with over 30 freelance writers. Most of our editorial staff are experienced journalists with newspaper or broadcast outlet experience. For example, the reporters and editors of bankrate.com have professional journalistic work experience ranging from 1 to 20 years, with an average of ten years of experience. Our editorial staff produces original online content such as "A good deal of credit insurance may be bad for consumers" and "Do your homework before trying to buy that foreclosed home." We believe the quality of our original content plays a critical role in attracting visitors to our sites and cobranded partners to Intelligent Life.

While the majority of the content within our web sites is original and produced internally, we also include third-party content. This content is
acquired under advertising revenue-sharing agreements which allow us to incorporate relevant information on our web site that would otherwise require additional resources for us to produce. An example of this type of arrangement is the incorporation in bankrate.com of financial calculators created and owned by SmartMoney.

Print Publications

We continue to sell traditional print publications to absorb part of the cost of creating research and original content. These publications are as follows:

Consumer Mortgage Guide. Consumer Mortgage Guide began publication in May 1995 and generates revenue through the sale of mortgage rate listings in major metropolitan newspapers across the United States. We enter into agreements with the newspapers under which the newspapers provide us with print space in which we publish the mortgage rate listings at no charge. In turn, we sell advertising with the listings and split revenue with the newspapers on a percentage basis.

Newsletters. We publish three newsletters: 100 Highest Yields and Jumbo Flash Report, which target individual consumers, and Bank Rate Monitor, which targets an institutional audience. These newsletters provide rate information with minimal editorial content.

theWhiz.com

theWhiz.com provides original content about personal finance that is easy to understand and entertaining. We believe traditional and online personal finance publications and web sites target white males over 40 years old with relatively high incomes, who are interested in investing. theWhiz.com is designed to address the personal finance needs of a younger, more female and more ethnically diverse audience. As with bankrate.com, theWhiz.com is divided into channels, each of which includes original editorial content. All of theWhiz.com’s stories are archived and easily accessible via our archive home page and site map.

deWhiz.com also has a community section which encourages readers to interact with other visitors, theWhiz.com’s staff and financial experts. Our "Talk to theWhiz" forum allows readers to get expert advice on questions like "Can a credit repair agency help me with my student loan debt?" The questions and answers are archived so that new readers can research their interests. If the answer isn't there, readers can fill out an e-mail form and submit their question.

Since theWhiz.com publishes content on personal finance and lifestyle topics and is not intended simply to provide objective information, we expect to use theWhiz.com as a platform for electronic commerce.

Other Online Publications

Consejero.com

Consejero.com provides personal finance information in Spanish and serves as a consumer guide to understanding local and international financial issues. Consejero.com features country-specific personal content for the United States as well as Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Panama, Puerto Rico, Spain and Venezuela. Spanish is the second most common language found on the internet, yet we believe that little useful content on financial topics in Spanish currently exists on the internet. We aim to satisfy the need for such data and capitalize on the anticipated rapid growth of Internet use by people who speak Spanish.

Consejero.com provides twice-daily news and feature articles written by established journalists working from major cities in Latin America and Spain. The topics are picked from day-to-day issues consumers face in their particular
countries. The site also provides general and entertainment news acquired through arrangements with traditional media. We also expect to add the capability to conduct transactions with advertisers.

Consejero.com also includes information provided by bankrate.com en Espanol, an extension of bankrate.com. Bankrate.com en Espanol provides the same information and many of the services of bankrate.com in Spanish but with supplementary articles and tables to facilitate understanding for those who may not be familiar with U.S. financial products and terms yet must maneuver in a mostly English-language financial system. Both Consejero.com and bankrate.com en Espanol intend to enter into distribution and cobranding agreements with the small but growing number of internet companies that are emerging to serve Spanish-speaking markets in the United States, Latin America and Europe to enhance our brand recognition and content distribution.

CPNet.com

Through CPNet.com, our online network of college newspaper web sites, we provide online content and advertising management to hundreds of college newspapers across the country. CPNet.com includes news articles and feature articles covering events and issues of interest to college students. Topics include current events, lifestyle and entertainment as well as topics that reflect college life. In addition to creating advertising relationships that will allow us to offer an integrated outlet for advertisers seeking to reach the college market, this gives us the ability to develop user relationships that allow us to cross-promote our publications to our consumers. We believe that college students use the internet more than many other segments of the population. We believe that this network will be highly attractive to advertisers since very few online publications offer a mechanism for national advertisements to reach college students with one advertisement purchase. CPNet.com aims to fulfill this market need.

Garzarelli.com and Possible Future Publications

We intend to use our online expertise and relationships to launch new online publications. In October 1998, we launched a new electronic subscription site for Wall Street investment advisor Elaine Garzarelli called Garzarelli.com. We are responsible for the site's design, electronic subscription fulfillment, partner linking, site management and advertising sales. Ms. Garzarelli owns the internet site address, selects the content of the site and has the sole authority to determine whether the content can be distributed to other websites. The subscription revenues generated from Garzarelli.com are divided between us and Ms. Garzarelli. We receive 17% of subscription revenues, and she receives the remainder. We also receive 50% of all advertising revenues from Garzarelli.com. Our agreement with Ms. Garzarelli extends until August 2000 and renews automatically on an annual basis. However, this agreement may be terminated by Intelligent Life or Ms. Garzarelli at any time with 90 days' prior notice.

In addition, in March 1999 we entered into a letter of intent with MECA Software, LLC to create a new personal finance destination site and transaction platform using the name "Managing Your Money" and the internet address MYM.com. MYM.com is expected to offer record-keeping tools and financial calculators as well as editorial content regarding personal finance issues such as home buying, investing and retirement planning. MECA is expected to provide a royalty-free license to the name "Managing Your Money" for use in this site and to provide support for site development. Intelligent Life is expected to provide editorial content and site design services. Intelligent Life is also expected to be responsible for selling advertising on the site. MECA and Intelligent Life will share the initial expenses of this operation equally. The structure of the joint venture is subject to the negotiation of a definitive agreement that will address additional terms, such as revenue sharing arrangements. The letter of intent expired on July 5, 1999. Since entering into the letter of intent, MECA was acquired by CFI ProServices, Inc. which subsequently changed its name Concentrex Incorporated. We cannot be certain at this time if another agreement
will be negotiated.

Consumer Marketing

Prior to December 31, 1998 our expenditures on marketing and promotion were limited to a distribution or syndication strategy where we have relied on our co-branded distribution network to increase traffic to our web sites. This approach was supplemented with public relations activities and limited direct-response expenditures. In addition, Intelligent Life's history of providing editorial content to newspapers and broadcasters has earned bankrate.com a high level of awareness among journalists. As a result, bankrate.com is often cited as an authority on banking and credit products in an editorial context.

Beginning in January 1999 we initiated a direct-response marketing campaign which consisted of placing banner advertising on third party web sites either by purchasing or bartering advertising impressions. Our strategy is to purchase advertising at either a fixed cost per clickthrough or at a low CPM. We believe that the advertising proceeds from one of our visitors generally allow us to recover much of the per visitor cost of placing our advertising. If the majority of this cost can be recovered on an initial visit, we may build a substantial base of repeat users at a low cost. We anticipate the majority of our future advertising and promotional expenditures will be allocated to web-based advertising.

Advertising Sales

Our advertising sales staff consists of 21 salespeople and support staff. Six salespersons are located in our North Palm Beach corporate headquarters, with the remainder in four satellite offices in New York, Chicago, San Francisco and Los Angeles. Each salesperson is responsible for a designated geographic area covering the Southeast, MidAtlantic, New England, Great Lakes, Midwest, Great Plains, Northwest or Southwest regions of the United States. Salespeople sell advertising related to all of our publications. We believe our sales force is highly effective.

Our salespeople present advertising solutions to potential advertisers using inventory created by our own web sites and co-branded web sites. We believe this combined network of sites enhances value for advertisers and direct marketers by (1) alleviating the need to purchase a series of advertising campaigns from numerous web publishers, (2) providing advertisers and direct marketers with access to a wide variety of business and personal finance online content, and (3) providing targeted access to internet users with desirable demographics. Advertisers and direct marketers can enhance the effectiveness of their campaigns by customizing advertising delivery on our networks within a particular content channel or across an entire network.

Advertising Alternatives

Our advertisers can target prospective customers using three different approaches:

- targeting specific geographic and product areas, for example, mortgage rates in Atlanta;
- targeting specific product channels, for example, all borrowers interested in the home equity channel; or
- general rotation throughout a particular site, such as bankrate.com.

Our most common graphical advertisement sizes are banners, which are prominently displayed at the top of a page (486 x 60 pixels) and badges, which are smaller than banners and less visible (125 x 125 pixels). Banners and badges are offered for general rotation or specific sites. List prices may vary depending upon the quantity of advertisements purchased by an advertiser and the length of time an advertiser runs an advertisement on our sites. List prices for
banner and badge advertisements with premium placement may be as low as $30 CPM and as high as $90 CPM. Discounts and commissions are available based upon the volume of advertisements purchased. For example, for purchases of more than 75,000 advertisement views, a volume based discount on the list price may be available.

We also sell posters, which are oversize advertisements that contain more information than traditional advertisements. We position posters on certain pages so that they dominate the page. The actual price averages $75 CPM. Advertisers may also purchase sponsorship positions on the bankrate.com home page and the main page for each product channel. The cost of the sponsorship is based on banner rates for impressions received. Advertisers can also sponsor an entire channel. In addition, we offer a reference bar above all rate pages. A reference bar is an advertising feature that contains tab references for consumers on such topics as insurance, credit reports, credit problems and moving rates. Users who click on the tabs are taken to an advertiser's web site for answers to their particular questions or needs. The cost of the advertisement is based on banner rates for number of impressions.

Providing effective tools for managing advertising campaigns is essential to maintaining advertising relationships. We use a state-of-the-art program under license that allows our advertisers to monitor their spending on our web sites in real-time for impressions received and clickthrough ratios generated.

Hyperlinks

Financial institutions that are listed in our rate tables have the opportunity to hyperlink their listings. By clicking on the hyperlink, users are taken to the institution’s web site. A substantial benefit to advertisers with the hyperlink rate listing is that the hyperlinks are in fixed placement on the rate pages and are shown every time a user accesses a page. In contrast, banner advertisements are rotated based on the number of impressions purchased. Hyperlink fees are sold for three-month periods. The number of hyperlinked rate listings that can be added to a rate page is limited only by the number of institutions listed, while banner positions are limited by space available. The actual rates for hyperlinks are $45 CPM.

Rate Alert E-Mail Sponsorships

We issue weekly updates on mortgage rates via e-mail to customers who have requested this free service. Rate alerts are issued for credit card and savings account updates on a less-frequent basis. Advertisers can sponsor the e-mails with text listings that are hyperlinked to their web site. Banner advertisements to be included with each e-mail are under development. The cost for sponsoring a rate alert is $0.25 per subscriber.

Chat Room Sponsorships

We offer advertisers chat rooms in Bankrate.com and theWhiz.com in which they may promote their spokespeople or products and acquire valuable real-time feedback from consumers. In these chat rooms, a moderator from theWhiz.com's staff screens questions from visitors. The advertiser or host then answers questions and receives "virtual focus group" feedback from users. We generally charge advertisers $6,000 per session.

Advertisers

We market to local advertisers targeting a specific audience in a city or mortgagebot.com state and also to national advertisers targeting the entire country. No advertiser accounts for more than 10% of our revenues. As of June 30, 1999, we had approximately 232 advertisers. A representative sample of our national and regional advertisers includes:

Aames Home Loans  Household Finance
American Express   Intuit
American Home Loans            Mortgagebot.com
Auto-by-Tel                    Master Card
Capital One Bank               Mackinac Savings
Countrywide Home Loans         Microsoft
Crestar Mortgage               Mortgage Expo
Downey Savings                 NationsBank
Mortgage.com                   NetBank
First Union                    NextCard
Next Direct                    Pacific Shore Funding
GMAC                           Providian Financial
Superior Bank                  USA Today
USA Today                      ZDTV

All of the listed advertisers have been our customers for at least six months and are representative of the types of industries, as well as national and regional scope of our advertising base.

Competition

Intelligent Life competes for advertising revenues across the broad category of personal finance information provided in traditional media such as newspapers, magazines, radio and television and in the developing market for online financial publications. There are many competitors that have substantially greater resources than Intelligent Life. Our online competition includes the following:

. personal finance sections of general interest sites such as Yahoo! and America Online;

. personal finance destination sites such as MoneyCentral, Forbes, Business Week, Fortune, Smart Money, Kiplinger's and Money.com; and

. e-commerce sites that provide bank and credit product information such as e-Loan and GetSmart.

-9-

Competition in the online segment is generally directed at growing users and revenue using marketing and promotion to increase traffic to our web sites. We believe that original content and objective product information differentiate us from our competitors.

Operations

Our principal office in North Palm Beach, Florida is where our proprietary web sites are hosted and all of our network operations are controlled. Internet access is maintained through multiple T-1 connections with Cable & Wireless PLC. The computer equipment used to operate our web sites is powered by uninterruptible power supply units and a generator.

Proprietary Rights

Our proprietary intellectual property consists of our unique research and editorial content. We rely primarily on a combination of copyrights, trademarks, trade secret laws, our user policy and restrictions on disclosure to protect this content.

Employees

As of June 30, 1999, we had 164 full-time leased employees, of which 50 were in product and content development, 32 in sales and marketing, 56 in editorial, and 26 in administration. We have never had a work stoppage and none of our employees are represented under collective bargaining agreements. We consider our employee relations to be good. Our employees are legally employed by Vincam. Human Resources, Inc., and work for us under an employee leasing arrangement.
See "Management Employee Leasing."

Risk Factors that Could Impact Future Operating Results

We have a history of losses

We have incurred net losses in each of our last three fiscal years and had a net loss for the three-month period ended March 31, 1999 of approximately $6,027,000. We had an accumulated deficit of approximately $16,772,070 as of March 31, 1999. We also have a limited history of operations in the rapidly evolving online business environment and have little experience forecasting our revenues. Therefore, we believe that period-to-period comparisons of our financial results should not be relied on as an indication of our future performance. We anticipate that we will incur operating losses and negative cash flows in the foreseeable future due to high levels of planned expenditures to enhance our services, develop new content, build brand awareness through aggressive marketing campaigns and hire personnel to support our growth. We may also incur significant additional costs related to the acquisition of businesses or technologies to respond to the constant change in our industry. These costs could have an adverse impact on our future financial condition and results of operations.

Our success depends upon Internet advertising revenue

We expect to derive approximately 75% of our revenues for the foreseeable future through the sale of advertising space on our Internet web pages. Any factors that limit the amount advertisers are willing to spend on advertising on our web sites could have a material adverse effect on our business. These factors may include: (1) lack of standards for measuring web site traffic or effectiveness of web site advertising; (2) lack of established pricing models for internet advertising; (3) failure of traditional media advertisers to adopt internet advertising; (4) introduction of alternative advertising sources; and (5) a lack of significant growth in web site traffic.

The Internet is a new medium for advertising and its effectiveness is unproven. Demonstrating the effectiveness of advertising on our web sites is critical to our ability to generate advertising revenue. Currently, there are no widely accepted standards to measure the effectiveness of internet advertising, and we cannot be certain that such standards will develop sufficiently to support our growth through internet advertising.

Currently, a number of different pricing models are used to sell advertising on the internet. Pricing models are typically either CPM-based (cost per thousand) or performance-based. We predominantly utilize the CPM-based model, which is based upon the number of advertisement impressions. The performance based, or per click, model is payable on each individual click even though it may take multiple advertisement impressions to generate one click. We cannot predict which pricing model, if any, will emerge as the industry standard. Therefore, it is difficult for us to project our future advertising rates and revenues. For instance, banner advertising, which is currently our primary source of online revenue, may not be an effective advertising method in the future. If we are unable to adapt to new forms of internet advertising and pricing models, our business could be adversely affected.

Financial services companies account for a majority of our advertising revenues. We will need to sell advertising to customers outside of the financial services industry in order to significantly increase our revenues. To date, relatively few advertisers from industries other than the technology and financial services industries have devoted a significant portion of their advertising budgets to internet advertising. If we do not attract advertisers from other industries, our business could be adversely affected.

Our success depends upon interest rate activity and mortgage refinancing
Approximately 84% and 81% of our advertisement views and page views, respectively, are attributable to the bankrate.com site. Given that this site provides interest rate information for mortgages and other loans, credit cards and savings accounts, visitor traffic to this site increases with interest rate movements and decreases with interest rate stability. Factors that have caused significant visitor fluctuations in the past have been Federal Reserve actions and general market conditions affecting home mortgage interest rates. Approximately 18% of visits to bankrate.com are to its mortgage pages. Accordingly, the level of traffic to bankrate.com is heavily dependent on interest rates and mortgage refinancing activity. A slowdown in mortgage refinancings could have a material adverse effect on our business.

We believe that as we continue to develop web sites of broader interest, the percentage of overall site traffic seeking mortgage information will decline. To accelerate the growth of traffic to our other sites, we are working with our syndication partners to program web sites other than Bankrate.com more intensively, and we are promoting these sites aggressively. We cannot assure you that we will be successful in these efforts.

Our success depends upon establishing and maintaining distribution arrangements

Our business strategy includes the distribution of our content through the establishment of co-branded web pages with high-traffic business and personal finance sections of online services and web sites. A co-branded site is typically a custom version of our web sites with the graphical look and feel, and navigation, of the other web site. Providing access to these co-branded web pages is a significant part of the value we offer to our advertisers. We compete with other Internet content providers to maintain our current relationships with other web site operators and establish new relationships. In addition, as we expand our personal finance content, some of these web site operators may perceive us as a competitor. As a result, they may be unwilling to promote distribution of our banking and credit content. For example, in June 1999, we learned that Quicken.com, which accounted for approximately 6% of our total site traffic during the three months ended March 31, 1999, would not be renewing its distribution agreement with us. We cannot assure you that our distribution arrangements will attract a sufficient number of users to support our current advertising model. In May 1999, 55% of the traffic to our web sites originated from the web sites of operators with whom we have distribution arrangements. Our business could be adversely affected if we do not establish and maintain distribution arrangements on favorable economic terms.

Our success depends upon increasing brand awareness of our web sites

Although Intelligent Life Corporation and its predecessors have been in business since 1976, we commenced our internet operations by introducing Bankrate.com in 1995. Due to the limited operating history of our internet operations, it is important that we develop brand awareness of our web sites in order for them to be attractive to advertisers. The importance of our brand recognition will increase as competition in the internet advertising market increases. As a result, developing and maintaining awareness of our web sites by promoting our brand names is critical to maintaining our growth. As competing web sites become established on the Internet, the cost of developing brand awareness increases significantly.

Successfully promoting and positioning our web sites and brand names will depend largely on the effectiveness of our marketing efforts and our ability to develop favorable traffic patterns to our web sites.

Therefore, we may need to increase our financial commitment to creating and maintaining brand awareness among users. We intend to use a portion of the proceeds of this offering to increase our marketing efforts and promote our brand awareness. If we fail to successfully promote our web sites and brand names or if we incur significant expense in doing so, it could have a material adverse effect on our business.
Our markets are highly competitive

We compete for Internet advertising revenues with a number of finance-related web sites, such as MarketWatch.com, CNNfn.com and Quicken.com, and traditional publishers and distributors of personal finance content such as MSNBC, CNN, Money Magazine and USA Today. In addition, new competitors may easily enter this market as there are few barriers to entry. Many of our existing competitors, as well as a number of potential new competitors, have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than us. Many competitors also have complementary products or services that drive traffic to their web sites. Increased competition could result in lower web site traffic, advertising rate reductions, reduced margins or loss of market share, any of which would adversely affect our business. We cannot be certain that we will be able to compete successfully against current or future competitors.

Our web sites may encounter technical problems and service interruptions

In the past, our web sites have experienced significant increases in traffic in response to interest rate movements and other business or financial news events. The number of our users has continued to increase over time, and we are seeking to further increase our user base. As a result, our internet servers must accommodate spikes in demand for our web pages in addition to potential significant growth in traffic.

Our web sites have in the past and may in the future experience slower response times or interruptions as a result of increased traffic or other reasons. These delays and interruptions resulting from failure to maintain internet service connections to our site could frustrate users and reduce our future web site traffic, which could have a material adverse effect on our business.

All of our communications and network equipment is located at our corporate headquarters in North Palm Beach, Florida. Any system failure at this location could lead to interruptions or delays in service for our web sites, which could have a material adverse effect on our business. Our operations are dependent upon our ability to protect our systems against damage from fires, hurricanes, earthquakes, power losses, telecommunications failures, break-ins, computer viruses, hacker attacks and other events beyond our control. Although we maintain business interruption insurance, it may not adequately compensate us for losses that may occur due to failures of our systems.

We rely on the protection of our intellectual property

Our intellectual property consists of the content of our web sites and print publications. We rely on a combination of copyrights, trademarks, trade secret laws and our user policy and restrictions on disclosure to protect our intellectual property. We may also enter into confidentiality agreements with our employees and consultants and seek to control access to and distribution of our proprietary information. Despite these precautions, it may be possible for other parties to copy or otherwise obtain and use the content of our web sites or print publications without authorization. A failure to protect our intellectual property in a meaningful manner could have a material adverse effect on our business.

Because we license some of our data and content from other parties, we may be exposed to infringement actions if such parties do not possess the necessary proprietary rights. Generally, we obtain representations as to the origin and ownership of licensed content and obtain indemnification to cover any breach of any such representations. However, such representations may not be accurate and such indemnification may not be sufficient to provide adequate compensation for any breach of such representations.

Any future infringement or other claims or prosecutions related to our intellectual property could have a material adverse effect on our business. Any such claims, with or without merit, could be time-consuming, result in costly
litigation and diversion of technical and management personnel or require us to introduce new content or trademarks, develop new technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on acceptable terms, if at all.

We may face liability for information on our web sites

Much of the information published on our web sites relates to the competitiveness of financial institutions' rates, products and services. We may be subjected to claims for defamation, negligence, copyright or trademark infringement or other theories relating to the information we publish on our web sites. These types of claims have been brought, sometimes successfully, against online services as well as print publications. Our insurance may not adequately protect us against these types of claims.

Future government regulation of the Internet is uncertain and subject to change

As Internet commerce continues to evolve, increasing regulation by federal or state agencies or foreign governments may occur. Such regulation is likely in the areas of user privacy, pricing, content and quality of products and services. Additionally, taxation of Internet use or electronic commerce transactions may be imposed. Any regulation imposing fees for Internet use or electronic commerce transactions could result in a decline in the use of the internet and the viability of internet commerce, which could have a material adverse effect on our business.

Our ownership is heavily concentrated in our management

Our officers and directors beneficially own approximately 67% of Intelligent Life's outstanding common stock. Peter C. Morse, our largest shareholder, beneficially owns approximately 41% of Intelligent Life's outstanding common stock. As a result, our officers and directors will be able to exercise control over all matters requiring shareholder approval. In particular, these controlling shareholders will have the ability to elect all of our directors and approve or disapprove significant corporate transactions. This control could be used to prevent or significantly delay another company or person from acquiring or merging with us.

Our rapid growth may strain our operations

Since we began our Internet operations in 1995, we have expanded our operations significantly, and we intend to continue to do so. Our future expansion may place a significant strain on our management. To manage the expected growth of our operations and personnel, we must expand and improve our existing management, operational and financial systems. If we fail to expand and improve these systems in a timely manner, this failure could have a material adverse effect on our business.

Our new managers must work together effectively as a team

We have recently added key managerial, technical and operations personnel. For example, our President and Chief Executive Officer was hired in 1997, our Senior Vice President--Administration was hired in 1998, our Senior Vice President--Marketing was hired in 1999, and our Executive Vice President--Strategy and Acquisitions was hired in 1999. We are also significantly increasing our employee base. These new personnel must integrate themselves into our daily operations and work effectively as a team in order for us to be successful. We cannot be certain that this will occur in all instances.

Our success depends upon management and key employees

Our success depends largely upon retaining the continued services of our executive officers and other key management and developing personnel as well as hiring and training additional employees. We have a number of key employees on whom we depend and who may be difficult to replace. Specifically, we rely on
William P. Anderson, III, our President and Chief Executive Officer, and our key employees, Sara Campbell Taylor, Edward V. Blanchard, Jr., Peter W. Minford, G. Cotter Cunningham and Robert J. DeFranco. All of our employees are employed by the Vincam Group under an employee leasing contract. This contract has a one-year term which expires on December 31, 1999. Beginning January 1, 2000, all of our personnel will become employees of Intelligent Life Corporation. A failure to retain our current key employees or to hire enough qualified employees to sustain our growth could have a material adverse effect on our business.

Our Articles of Incorporation and Bylaws, as well as Florida law, may prevent or delay a future takeover.

Our Articles of Incorporation and Bylaws may have the effect of delaying or preventing a merger or acquisition, or making such a transaction less desirable to a potential acquirer, even when shareholders may consider the acquisition or merger favorable. For example, our Articles of Incorporation and Bylaws provide that: (1) the board of directors has the authority, without shareholder approval, to issue up to 10,000,000 shares of preferred stock and to determine the rights (including voting rights) associated with such preferred stock (which issuance may adversely affect the market price of the common stock and the voting rights of the holders of common stock); (2) the board of directors is classified and directors have three-year terms; (3) cumulative voting for the election of directors is prohibited; (4) approval by 66 2/3% of the shareholders is required for material amendments to the Articles of Incorporation or Bylaws; and (5) certain procedures must be followed before matters can be proposed by shareholders for consideration at shareholder meetings. Florida law also contains "control share acquisition" and "affiliate transaction" provisions that may also delay, prevent, or discourage an acquisition of or merger with Intelligent Life Corporation.

We have broad discretion in the use of proceeds from our initial public offering.

The net proceeds from the sale of common stock in our initial public offering will become part of our general working capital and we may use these funds in a variety of ways, including increasing our sales and marketing activities, increasing our content development activities and pursuing strategic acquisitions and partnerships. We will have considerable discretion in the application of the net proceeds to these uses. In addition, the timing of our use of the net proceeds will depend on a number of factors, including the amount of our future revenues.

We may encounter difficulties with future acquisitions.

A part of our business strategy is to acquire web sites and other content providers that will be complementary to our current activities. Any acquisitions may present a number of potential risks that could result in a material adverse effect on our business. These risks include the following: failure to integrate the technical operations and personnel in a timely and cost-effective manner; failure to retain key personnel of the acquired company; and assumption of unexpected material liabilities. In addition, we cannot assure you that we will be able to identify suitable acquisition candidates that are available for sale at reasonable prices. We may finance future acquisitions using the proceeds from our initial public offering.

We may also finance future acquisitions with debt financing, which would increase our debt service requirements, or through the issuance of additional common or preferred stock, which could result in dilution to our shareholders. We cannot assure you that we will be able to arrange adequate financing on acceptable terms.

Our results of operations may fluctuate significantly.

Our results of operations may fluctuate significantly in the future as a result of several factors, many of which are beyond our control. These factors include; (1) changes in fees paid by advertisers; (2) traffic levels on our web
sites, which can fluctuate significantly as a result of financial news events; (3) changes in the demand for internet products and services; (4) changes in fee or revenue-sharing arrangements with our distribution partners; (5) our ability to enter into or renew key distribution agreements; (6) the introduction of new Internet advertising services by us or our competitors; (7) changes in our capital or operating expenses as we expand our operations; and (8) general economic conditions.

Our future revenues and results of operations may be difficult to forecast due to these factors. As a result, we believe that period-to-period comparisons of our results of operations may not be meaningful, and you should not rely on past periods as indicators of future performance.

In future periods, our results of operations may fall below the expectations of securities analysts and investors, which could adversely affect the trading price of the common stock.

Our stock price may be volatile in the future

We cannot predict whether a trading market for our common stock will develop or how liquid that market might become. The initial public offering price of our common stock was determined by negotiations with our underwriters and may not be indicative of prices that will prevail in the trading market. The stock prices and trading volume of Internet-related companies have been extremely volatile of late. Accordingly, our stock prices may be volatile as well. In addition, following periods of downward volatility in the market price of a company's securities, class action litigation is often brought against the company. Downward volatility of our stock prices could lead to class action litigation, resulting in substantial costs and a diversion of our management's attention and resources.

We may experience year 2000 problems

The Year 2000 computer problem refers to the potential for system and processing failures of date-related data as a result of computer-controlled systems using two digits rather than four to define the applicable year. For example, software programs that have time-sensitive components may recognize a date represented as "00" as the year 1900 rather than the year 2000. This could result in system failure, causing disruptions to our operations.

We may be affected by Year 2000 issues related to non-compliant internal systems developed by us or by third-party vendors. We have received written certifications from all manufacturers of our third-party systems that they are Year 2000 compliant. We are not currently aware of any material systems that contain embedded chips that are not Year 2000 compliant, or that we will not be able to bring into compliance in a timely fashion. We have completed the inventory and testing of our mission critical hardware systems, including the routers and servers by which we provide services to our customers. Additionally, all of our mission critical operating software has been tested based upon the representations provided by the manufacturers as well as our own internal criteria. All of the mission critical hardware and software passed our predetermined Year 2000 criteria for compliance. Failure of our systems to be Year 2000 compliant could result in an inability of users to view our sites, which would have a material adverse effect on our business. Such failures could also require substantial time and effort on the part of management.

In addition, there can be no assurance that governmental agencies, utility companies, Internet access companies, third-party service providers and others outside of our control will be Year 2000 compliant. The failure by such entities to be Year 2000 compliant could result in a systemic failure beyond our control, such as a prolonged Internet, telecommunications or electrical failure, which could also prevent us from delivering our services to customers, decrease the use of the Internet or prevent users from accessing our Web sites which could have a material adverse effect on our business, results of operations and financial condition.
ITEM 2. PROPERTIES

Our principal administrative, sales, marketing and research facilities are located on approximately 14,000 square feet of leased office space in North Palm Beach, Florida.

ITEM 3. LEGAL PROCEEDINGS

Intelligent Life is not a party to any material legal proceeding.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's Common Stock has been traded on the Nasdaq National Market under the symbol "ILIF" since May 13, 1999. Prior to that time there was no established market for the shares.

The price per share reflected in the table below represents the range of low and high closing sale prices for the Company's Common Stock as reported by the Nasdaq National Market for the periods indicated:

<table>
<thead>
<tr>
<th>Year Ended December 31, 1999</th>
<th>High Price</th>
<th>Low Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second Quarter (through June 30, 1999)</td>
<td>$15.000</td>
<td>$5.250</td>
</tr>
</tbody>
</table>

The closing sale price of the Company's Common Stock as reported by the Nasdaq National Market on June 30, 1999 was U.S. $6.563.

The number of shareholders of record of the Company's Common Stock as of June 30, 1999, was approximately 2,128.

The Company has never paid cash dividends on its capital stock. The Company currently intends to retain any earnings for use in the business and does not anticipate paying any cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with the financial statements, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7. of this Form 10-K. The statement of operations data for the years ended June 30, 1994 and 1995, and the balance sheet data as of June 30, 1994 and 1995, are derived from unaudited financial statements not included in this Form 10-K. The statement of operations data for the years ended June 30, 1996, 1997 and 1998, and for the six-month period ended December 31, 1998, and the balance sheet data as of June 30, 1996, 1997, 1998 and December 31, 1998, are derived from, and are qualified by reference to, the audited financial statements included elsewhere in this Form 10-K. The statement of operations data for the six-month period ended December 31, 1997 are derived from unaudited financial statements. In the opinion of management, the unaudited financial statements have been prepared on a basis consistent with the audited
financial statements which appear elsewhere in this Form 10-K, and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial position and results of operations for such unaudited periods.

Overview

Intelligent Life is the leading provider of independent, objective research

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

The following discussion should be read in conjunction with the financial statements and related notes contained in this Form 10-K. The following discussion contains forward-looking statements that involve risks and uncertainties. Intelligent Life’s fiscal year previously ended on June 30. The fiscal year ended June 30, 1996 is referred to as fiscal 1996, the fiscal year ended June 30, 1997 is referred to as fiscal 1997 and the fiscal year ended June 30, 1998 is referred to as fiscal 1998.
regarding consumer banking and credit products and a significant publisher of
original editorial content relating to personal finance matters. We provide this
information through our Internet sites bankrate.com, theWhiz.com, Consejero.com
and CPNet.com and in print through Bank Rate Monitor and Consumer Mortgage
Guide. Our online operations are the principal focus of our activities today.
Prior to 1995, our principal businesses were the publication of print
newsletters and syndication of bank and credit product research to newspapers
and magazines. In 1995, we introduced the Consumer Mortgage Guide, which is an
advertisement for newspapers consisting of product and rate information in
tabular form from local mortgage companies that pay a weekly fee for inclusion
in the table.

In fiscal 1996, we commenced our online operations by displaying our
research through an internet site, bankrate.com. By putting our information
online, we were able to create new revenue opportunities through the sale of
graphical and hyperlink advertising associated with our rate and yield tables.
In fiscal 1997, we determined that we would concentrate principally on our
online operations. Since that time, we have significantly expanded the scope and
depth of bankrate.com and made investments in four new online publications:
theWhiz.com, bankrate.com en Espanol, Consejero.com and CPNet.com. These new
publications accounted for 12% of total online revenues for the fiscal year
ended June 30, 1998 and 2% of total online revenues for the six months ended

In order to focus on our online activities, we have reduced the number of
print newsletters we publish from five to three and eliminated active marketing
of our print publications. We have also ceased marketing Consumer Mortgage Guide
as a separate product. We now provide this product to newspapers as a part of a
broader relationship that is primarily directed toward online activities.

We believe that recognition of our research as the leading source of
independent, objective information on banking and credit products is essential
to our success. As a result, we have sought to maximize distribution of our
research to gain brand recognition as a research authority. We are currently
seeking to increase traffic to Bankrate.com in order to build our brand
awareness and reach among online users.

On April 12, 1999 our Board of Directors approved changing our fiscal
year-end to December 31.

The following are descriptions of the revenue and expense components of our
statement of operations:

Online publishing revenue represents the sale of advertising, sponsorships
and hyperlinks in connection with our web sites. Such advertising is sold to
advertisers according to the cost per thousand impressions, or CPM, the
advertiser receives. The amount of advertising we sell is a function of (1) the
number of advertisements we have per page, (2) the number of visitors viewing
our pages, and (3) the capacity of our sales force. Revenue from advertising
sales is invoiced monthly based on the expected number of advertisement
impressions, or number of times that an advertisement is viewed. Revenue is
recognized monthly based on the percentage of impressions received to the total
number of impressions purchased. Revenue for impressions that have been invoiced
but not delivered is deferred. Hyperlinks to various third-party web sites are
sold for a fixed monthly fee, which is recognized as revenue in the month
earned. For our revenue sharing distribution arrangements with web site
operators, revenue is recorded on a gross basis, with payments for our
distribution arrangements being included in online publishing costs.

In June 1999, we were advised by Quicken.com that it would not be renewing
its distribution agreement with us. Quicken.com accounted for approximately 6%
of our total site traffic during the three months ended March 31, 1999.
Management does not believe that the loss of this distribution partner will have
a material adverse impact on future results of operations.
Print publishing and licensing revenue represents advertising revenue from the sale of advertising in Consumer Mortgage Guide rate tables, newsletter subscriptions, and licensing of research information. We charge a commission for placement of Consumer Mortgage Guide in a print publication. Advertising revenue and commission income is recognized when Consumer Mortgage Guide runs in the publication. Revenue from our newsletters is recognized ratably over the period of the subscription, which is generally up to one year. Revenue from the sale of research information is recognized ratably over the contract period.

Online publishing costs represent expenses directly associated with the creation of online publishing revenue. These costs include contractual revenue sharing obligations resulting from our distribution arrangements (distribution payments), editorial costs, and allocated overhead. Distribution payments are made to web site operators for visitors directed to our web sites. These costs increase with gains in traffic to our sites. Editorial costs relate to writers and editors who create original content for our online publications and associates who build web pages. These costs have increased as we have added online publications and co-branded versions of our sites under distribution arrangements. These sites must be maintained on a daily basis.

Print publishing and licensing costs represent expenses directly associated with print publishing revenue. These costs include contractual revenue sharing obligations with newspapers related to Consumer Mortgage Guide, personnel costs, printing and allocated overhead.

Sales costs represent direct selling expenses, principally for online advertising, and include sales commissions, personnel costs and allocated overhead.

Marketing costs represent expenses associated with expanding brand awareness of our products and services to consumers and include advertising, including banner advertising, marketing and promotion costs.

Product research costs represent expenses related to gathering data on banking and credit products and include compensation and benefits, facilities costs, telephone costs and computer systems expenses.

General and administrative costs represent compensation and benefits for administration, advertising management, accounting and finance, facilities expenses, professional fees and non-allocated overhead.

Depreciation and amortization represents the cost of capital asset acquisitions spread over their expected useful lives. These expenses are spread over three to seven years and are calculated on a straight line basis.

Stock based compensation represents expenses associated with stock grants to our officers and employees as additional compensation for their services.

Other income (expense) is comprised of interest income and expense and gains and losses on the sale

Results of Operations

We have compared our financial results for the year ended June 30, 1996, 1997 and 1998 as well as the six months ended December 31, 1997 and 1998.

The following tables display our results of operations expressed as a percentage of total revenues:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended June 30,</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Six Months Ended</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>December 31,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>1998</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Six Months Ended December 31, 1998 Compared to Six Months Ended December 31, 1997

Revenues

Total revenue increased to $3,469,000 for the six months ended December 31, 1998 from $1,688,000 for the six months ended December 31, 1997, representing a 106% increase.

Online publishing revenue increased to $1,809,000 for the six months ended December 31, 1998 from $508,000 for the six months ended December 31, 1997, representing a 256% increase. This increase was due primarily to a higher level of advertising sales and higher advertising rates. The higher advertising sales were facilitated by an increase in advertising inventory resulting from an increase in the number of distribution arrangements as well as higher overall internet traffic.

Print publishing and licensing revenue increased to $1,660,000 for the six months ended December 31, 1998 from $1,180,000 for the six months ended December 31, 1997, representing a 41% increase. This increase resulted from the sale of a higher number of advertisements for Consumer Mortgage Guide, which resulted primarily from growth in the number of participating newspapers.

Cost of Operations

Online publishing costs increased to $979,000 for the six months ended December 31, 1998 from $321,000 for the six months ended December 31, 1997, representing a 205% increase. The increase was due to greater revenue sharing obligations and personnel costs related to expanded online publishing operations.

Print publishing and licensing costs increased to $1,101,000 for the six months ended December 31, 1998 from $957,000 for the six months ended December 31, 1997, representing a 15% increase. The increase resulted from higher payments to newspapers principally because of higher revenues from Consumer Mortgage Guide.

Sales costs increased to $817,000 for the six months ended December 31, 1998 from $117,000 for the six months ended December 31, 1997, representing a 598% increase. The increase was primarily the result of an increase in sales personnel, opening of sales offices in California and New York and implementation of a more aggressive sales commission structure.

Marketing costs increased to $305,000 for the six months ended December 31, 1998 from $18,000 for the six months ended December 31, 1997.
representing a 1,594% increase. The increase resulted from hiring a public
relations firm to promote our online activities, creating and producing sales
materials for online advertising and purchasing banner advertising to test the
effectiveness of using such advertising to increase visitors to Bankrate.com.

Product research costs increased to $916,000 for the six months ended
December 31, 1998 from $493,000 for the six months ended December 31, 1997,
representing a 86% increase. The increase resulted from additional personnel
relating to an expanded number of products in which we conduct research and
additional quality control personnel.

General and administrative costs increased to $871,000 for the six months
ended December 31, 1998 from $695,000 for the six months ended December 31,
1997, representing a 25% increase. The increase was principally related to
expenses incurred to allow for anticipated growth, including additional
compensation and benefits for new personnel, facilities costs and professional
costs.

Depreciation and amortization increased to $98,000 for the six months ended
December 31, 1998 from $25,000 for the six months ended December 31, 1997,
representing a 292% increase. The increase was mainly attributable to higher
expenses for software, computer systems and components.

Stock-based compensation increased by $669,000 as a result of shares issued
in conjunction with the hiring of our President and Chief Executive Officer and
stock issued to Christy Heady as part of an employment agreement with
Intelligent Life entered into in conjunction with the purchase of theWhiz.com.

In December 1998, we sold one of our print publications, Bank Advertising
News, resulting in a gain of $186,000 which is included in other income
(expense). The sale was the result of management's assessment that this
publication no longer fit our strategy.


Revenues

Total revenue increased to $3,841,000 in fiscal 1998 from $2,543,000 in
fiscal 1997, representing a 51% increase.

Online publishing revenue increased to $1,282,000 in fiscal 1998 from
$485,000 in fiscal 1997, representing a 164% increase. This increase was due to
more advertisements being sold, higher advertising rates and an increase in
inventory available for sale. A change of site design for Bankrate.com to allow
for a larger number of advertisements per page also contributed to the revenue
growth.

Print publishing and licensing revenue increased to $2,559,000 in fiscal
1998 from $2,058,000 in fiscal 1997, representing a 24% increase. The increase
resulted from the sale of a higher number of advertisements for Consumer
Mortgage Guide, which resulted primarily from growth in the number of
participating newspapers.

Cost of Operations

Online publishing costs increased to $862,000 in fiscal 1998 from $582,000
in fiscal 1997, representing a 48% increase. The increase resulted from higher
payments made under distribution arrangements and additional editorial staff.

Print publishing and licensing costs increased to $1,962,000 in fiscal 1998
from $1,186,000 in fiscal 1997, representing a 65% increase. The increase was
substantially a result of higher payments to newspapers given the higher level
of Consumer Mortgage Guide revenues.

Sales costs increased to $665,000 in fiscal 1998 from $90,000 in fiscal
1997, representing a 639% increase. The increase was due to additional sales staff, higher commissions resulting from increased revenues and higher commission rates for our online sales staff.

Marketing costs increased to $145,000 in fiscal 1998 from $1,485 in fiscal 1997, representing a 9,664% increase. The increase was due to the hiring of a public relations firm to promote our expanded online activities and the costs of creating and producing sales materials for online advertising. Additional costs were incurred in fiscal 1998 when we purchased such advertising to test its effectiveness in increasing visitors to bankrate.com.

Product research costs increased to $1,216,000 in fiscal 1998 from $721,000 in fiscal 1997, representing a 69% increase. The increase was principally related to the addition of 20 local markets in which we conducted research and an expansion in the number of products for which we gathered data.

-20-

General and administrative costs increased to $1,663,000 in fiscal 1998 from $768,000 in fiscal 1997, representing a 117% increase. The increase was principally related to the hiring of new senior management, expansion of office space and additional professional fees.

Depreciation and amortization decreased to $67,000 in fiscal 1998 from $74,000 in fiscal 1997, representing a 9% decrease.

Year Ended June 30, 1997 Compared to Year Ended June 30, 1996

Revenues

Total revenue increased to $2,543,000 in fiscal 1997 from $1,628,000 in fiscal 1996, representing a 56% increase.

Online publishing revenue increased to $485,000 in fiscal 1997 from $70,000 in fiscal 1996, representing a 593% increase. In fiscal 1996, Intelligent Life initiated its online publishing operations. In fiscal 1997, Intelligent Life conducted online publishing operations for the full year.

Print publishing and licensing revenue increased to $2,058,000 in fiscal 1997 from $1,558,000 in fiscal 1996, representing a 32% increase. The increase resulted from the sale of a higher number of advertisements for Consumer Mortgage Guide, which resulted primarily from growth in the number of participating newspapers.

Cost of Operations

Online publishing costs increased to $582,000 in fiscal 1997 from $16,000 in fiscal 1996. The increase was primarily due to higher payments made under distribution arrangements resulting from growth of online publishing revenue.

Print publishing and licensing costs increased to $1,186,000 in fiscal 1997 from $971,000 in fiscal 1996, representing a 22% increase. The increase was primarily due to higher payments to newspapers due to growth in Consumer Mortgage Guide revenues.

Sales costs decreased to $90,000 in fiscal 1997 from $98,000 for fiscal 1996, representing an 8% decrease. The decrease was primarily due to reduced sales costs while we were changing the focus of our operations.

Marketing costs decreased to $1,485 in fiscal 1997 from $34,000 in fiscal 1996, representing a 96% decrease. The decrease was due to suspension of marketing activities in anticipation of increased online activities.

Product research costs increased to $721,000 in fiscal 1997 from $508,000 in fiscal 1996, representing a 42% increase. The increase was due to conducting research in a greater number of local markets.
General and administrative costs increased to $768,000 in fiscal 1997 from $522,000 in fiscal 1996, representing a 47% increase. The increase was principally related to recruiting costs associated with identifying and retaining a new President and Chief Executive Officer, implementing a new accounting system and the costs associated with the acquisition of MoneyWhiz, which subsequently became theWhiz.com.

Depreciation and amortization was $74,000 in fiscal 1997, compared to $98,000 in fiscal 1996, representing a decrease of 24%. The decrease was principally related to the elimination of amortization of certain subscription costs and depreciation related to certain assets.

Quarterly Results of Operations

The following table presents certain unaudited quarterly statement of operations data for each of our last ten quarters through the period ending December 31, 1998. The information has been derived from our unaudited and audited financial statements. In the opinion of our management, the unaudited financial statements have been prepared on a basis consistent with the financial statements which appear elsewhere in this Form 10-K and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial position and results of operations for such unaudited periods. Historical results are not necessarily indicative of results to be expected in the future.

---

Liquidity and Capital Resources
We have funded Intelligent Life using capital raised from shareholders. As of December 31, 1998, we had working capital of $658,000 and cash and cash equivalents of $1,633,000.

Cash used in operating activities during the six months ended December 31, 1998 was $1,207,000 and during the years ended June 30, 1998, 1997 and 1996 was $2,761,000, $834,000 and $345,000, respectively. The cash used in operating activities was for funding operating losses arising from the expansion of Bankrate.com and the creation of four new online publications.

Cash used in investing activities during the six months ended December 31, 1998 was $27,000 and during the years ended June 30, 1998, 1997 and 1996 was $407,000, $91,000 and $40,000, respectively. The cash used in investing activities was primarily for purchases of computer equipment and office furniture.

Cash from financing activities during the six months ended December 31, 1998 was $1,957,000 and during the years ended June 30, 1998, 1997 and 1996 was $2,316,000, $2,687,000 and $385,000, respectively. These financing activities consisted primarily of issuances of preferred stock. In September 1997, we completed a private placement of Series A Preferred Stock, totalling 42,308 shares, resulting in gross proceeds of $2,750,000. In October 1997 and June 1998, we completed additional private placements of 24,228 shares of Series A Preferred Stock, resulting in gross proceeds of $1,575,000. In November 1998, we completed a private placement of 17,575 shares of Series B Preferred Stock, resulting in gross proceeds of $1,982,000. Each share of Series A and Series B Preferred Stock is convertible into 50 shares of common stock.

Peter C. Morse, a director of Intelligent Life and a principal stockholder, made loans to Intelligent Life during the years ended June 30, 1997 and 1998 in the amounts of $687,000 and $200,000, respectively. Interest rates for the loans were between 6.5% and 7%. The loans have subsequently been contributed to capital.

We have experienced significant increases in our capital expenditures which is consistent with our overall business strategy. We anticipate that expenditures will continue to increase in the foreseeable future as we continue to evaluate potential investments in our business, technology and products. We believe that our existing liquidity and capital resources supplemented with the proceeds from the sale of our common stock in our initial public offering will be sufficient to satisfy our cash requirements for the foreseeable future. To the extent that such amounts are insufficient, we will be required to raise additional funds through equity or debt financing. If adequate funds are not available or not available on acceptable terms, our ability to fund our planned expansion, take advantage of unanticipated opportunities or otherwise respond to competitive pressures would be significantly limited. There can be no assurance that we will be able to raise such funds on favorable terms or at all.

We received approximately $41.1 million in net proceeds from the sale of common stock in our initial public offering, which was completed on May 13, 1999. These proceeds were invested in short-term cash equivalent investments. As of June 30, 1999, approximately $1.8 million was utilized for advertising and marketing, insurance costs, hiring of additional personnel and fixed asset purchases.

We believe that the cash used in operating activities, cash flows used in investing activities and cash flows from financing activities line items from our statement of cash flows as well as the total current assets and total current liabilities line items from our balance sheet are the leading indicators of our liquidity and capital resources.

Recent Accounting Pronouncements

In June 1997, SFAS No. 130, "Reporting Comprehensive Income," was issued.
and was adopted by Intelligent Life as of July 1, 1998. SFAS 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that an enterprise (1) classify items of other comprehensive income by their nature in financial statements and (2) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of statements of financial position. Comprehensive income is defined as the change in equity during the financial reporting period of a business enterprise resulting from nonowner sources. Comprehensive income equals the net loss for all periods presented.

In June 1997, SFAS No. 131, "Disclosures about Segments of an Enterprise with Related Information," was issued. SFAS No. 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to stockholders. SFAS No. 131 is effective for financial statements for periods beginning after December 31, 1997. Intelligent Life has adopted SFAS No. 131 as of January 1, 1998.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in the statement of operations unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations, and requires that a company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 is effective for fiscal years beginning after June 15, 1999. A company may also implement the provision of SFAS No. 133 as of the beginning of any fiscal quarter after issuance. SFAS No. 133 cannot be applied retroactively, and must be applied to (1) derivative instruments and (2) certain derivative instruments embedded in hybrid contracts that were issued acquired, or substantively modified after December 31, 1997. Intelligent Life has not yet adopted SFAS No. 133 and presently does not have any derivative instruments.

Noncash Charges

During the first calendar quarter of 1999, we granted options to purchase shares of common stock at exercise prices that were less than the fair market value of the underlying shares of common stock. This will result in total noncash compensation expense of approximately $5,900,000 over the period that these options vest, which is generally three to four years. The noncash compensation expense was approximately $1,893,000 for the first calendar quarter of 1999. We also incurred a one-time noncash financing charge during the first calendar quarter of 1999 of approximately $2,656,000 relating to a convertible promissory note that was converted into fully paid Series B Preferred Stock on April 9, 1999.

Income Taxes

Intelligent Life's effective tax rate differs from the statutory federal income tax rate, primarily as a result of the uncertainty regarding Intelligent Life's ability to utilize its net operating loss carryforwards. Due to the uncertainty surrounding the timing or realization of the benefits of its net operating loss carryforwards in future tax returns,

Intelligent Life has placed a valuation allowance against its otherwise recognizable deferred tax assets. At December 31, 1998, Intelligent Life had approximately $5,300,000 of net operating loss carryforwards for tax reporting purposes available to offset future taxable income. Intelligent Life's net operating loss carryforwards expire from 2012 through 2018. The Tax Reform Act
of 1986 imposes substantial restrictions on the utilization of net operating losses and tax credits in the event of an "ownership change" of a corporation. Due to the change in Intelligent Life's ownership interests in the third quarter of 1997, future utilization of Intelligent Life's net operating loss carryforwards will be subject to certain limitations or annual restrictions. See Note 8 of the notes to the financial statements appearing elsewhere in this Form 10-K.

Year 2000 Compliance

The Year 2000 computer problem refers to the potential for system and processing failures of date-related data as a result of computer-controlled systems using two digits rather than four to define the applicable year. For example, software programs that have time-sensitive components may recognize a date represented as "00" as the year 1900 rather than the year 2000. This could result in a system failure causing disruptions to our operations.

Our internal information technology and non-information technology systems are generally licensed from third parties rather than being internally developed. Our research and subscription systems are two of the major information technology systems that have been internally developed. No non-information technology systems have been internally developed. We have received written certifications from all manufacturers of third-party systems that they are Year 2000 compliant. We have completed the inventory and testing of our mission critical hardware systems, including the routers and servers by which we provide services to our customers.

Additionally, all of our mission critical operating software has been tested by the manufacturers as well as internally tested. All of the mission critical hardware and software passed our predetermined Year 2000 criteria for compliance.

Our business is also dependent upon the computer-controlled systems of third parties such as suppliers, customers and service providers. A systemic failure outside of our control, such as a prolonged loss of internet, telecommunications, electrical or telephone services could prevent users from accessing our web sites, which could have a material adverse effect on our business.

To date, we have spent approximately $350,000 on Year 2000 compliance issues, including the purchase of hardware and the cost of a third-party consultant. Based on our current assessment, we do not anticipate that additional costs associated with the Year 2000 issue will have a material adverse effect on our business. We do not currently anticipate having to develop a contingency plan for handling a Year 2000 problem that is not detected and corrected prior to its occurrence.

There is general uncertainty inherent in the Year 2000 computer problem. The consequences of Year 2000 failures could have a material adverse effect on our business. In particular, unforeseen Year 2000 computer problems could require substantial time and effort on the part of management.

In addition, there can be no assurance that governmental agencies, utility companies, internet access companies, third-party service providers and others outside of our control will be Year 2000 compliant. The failure by such entities to be Year 2000 compliant could result in a systemic failure beyond our control, such as a prolonged Internet, telecommunications or electrical failure, which could also prevent us from delivering our services to our customers, decrease the use of the Internet or prevent users from accessing our Web sites which could have a material adverse effect on our business, results of operations and financial condition.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

The primary objective of our investment strategy is to preserve principal while maximizing the income we receive from investments without significantly
increasing risk. To minimize this risk, to date we have maintained our portfolio of cash equivalents in short-term and overnight investments which are not subject to market risk as the interest paid on such investments fluctuates with the prevailing interest rates. As of June 30, 1999 all of our cash equivalents mature in less than one year.

Exchange Rate Sensitivity

Our exposure to foreign currency exchange rate fluctuations is minimal to none as we do not have any revenues denominated in foreign currencies. Additionally, we have not engaged in any derivative or hedging transactions to date.

ITEM 8. FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

PAGE

Reports of Independent Auditors..................................................

Balance Sheets as of June 30, 1997 and 1998, and December 31, 1998 and December 31, 1998 (Unaudited)-pro forma..................................................


Statements of Redeemable Stock and Stockholders' Equity (Deficit) for the Years Ended June 30, 1996, 1997 and 1998, the Six-Month Period Ended December 31, 1998 and the Six-Month Period Ended December 31, 1998 (Unaudited)-pro forma..........................................


Notes to Financial Statements..................................................

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders Intelligent Life Corporation:

We have audited the accompanying balance sheets of Intelligent Life Corporation as of June 30, 1998 and December 31, 1998, and the related statements of operations, redeemable stock and stockholders' equity (deficit), and cash flows for the year ended June 30, 1998 and the six-month period ended December 31, 1998. 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Intelligent Life Corporation as of June 30, 1998 and December 31, 1998, and the results of its operations and its cash flows for the year ended June 30, 1998 and the six-month period ended December 31, 1998 in conformity with generally accepted accounting principles.

KPMG LLP

Atlanta, Georgia
July 2, 1999

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Intelligent Life Corporation:

We have audited the accompanying balance sheet of Intelligent Life Corporation (formerly, Bank Rate Monitor, Inc.), as of June 30, 1997, and the related statements of operations, redeemable stock and stockholders' equity (deficit), and cash flows for the two years then ended. 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Intelligent Life Corporation (formerly, Bank Rate Monitor, Inc.) as of June 30, 1997, and the results of its operations and its cash flows for the two years then ended in conformity with generally accepted accounting principles.

Thomas & Clough Co., P.A.

Palm Beach, Florida
July 23, 1998

Intelligent Life Corporation
Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unaudited)</td>
<td>(Audited)</td>
<td>(Audited)</td>
</tr>
<tr>
<td></td>
<td>(pro forma)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 1,762,828</td>
<td>$ 910,427</td>
<td>$ 1,633,100</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance for doubtful accounts</td>
<td>280,064</td>
<td>322,515</td>
<td>538,536</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,432</td>
<td>27,960</td>
<td>109,488</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment, net</td>
<td>142,490</td>
<td>505,275</td>
<td>813,659</td>
</tr>
<tr>
<td>Intangible assets, net of accumulated amortization</td>
<td>5,945</td>
<td>1,722</td>
<td>4,569</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 2,192,759</td>
<td>$ 1,767,899</td>
<td>$ 45,546,352</td>
</tr>
</tbody>
</table>

Notes to Financial Statements
Liabilities, Redeemable Stock and Stockholders’ Equity (Deficit)

Liabilities:

Accounts payable $ 374,005 $ 205,791 $ 308,667 $ 308,667
Accrued expenses 287,726 406,658 588,212 588,212
Deferred revenue 495,535 476,120 612,660 612,660
Current portion of obligations under capital leases - 8,011 115,405 113,405
Total current liabilities 1,157,266 1,096,580 1,622,944 1,622,944

Obligations under capital lease, long-term - 14,237 263,009 263,009
Total liabilities 1,157,266 1,110,817 1,885,953 1,885,953

See accompanying notes to financial statements.

Intelligent Life Corporation

Statements of Operations

<table>
<thead>
<tr>
<th></th>
<th>Year ended June 30</th>
<th>Six months ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online publishing</td>
<td>$ 70,406</td>
<td>$ 486,511</td>
</tr>
<tr>
<td>Print publishing and licensing</td>
<td>1,557,959</td>
<td>2,058,045</td>
</tr>
<tr>
<td>Total revenue</td>
<td>1,628,361</td>
<td>2,542,556</td>
</tr>
<tr>
<td>Cost of operations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online publishing</td>
<td>16,476</td>
<td>582,399</td>
</tr>
<tr>
<td>Print publishing and licensing</td>
<td>977,331</td>
<td>1,255,509</td>
</tr>
<tr>
<td>Sales</td>
<td>97,660</td>
<td>89,948</td>
</tr>
<tr>
<td>Marketing</td>
<td>59,686</td>
<td>1,248</td>
</tr>
<tr>
<td>Product research</td>
<td>507,975</td>
<td>720,308</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>522,056</td>
<td>765,957</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>97,660</td>
<td>73,754</td>
</tr>
<tr>
<td>Noncash stock based compensation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>2,246,832</td>
<td>3,421,920</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(618,831)</td>
<td>(875,364)</td>
</tr>
<tr>
<td>Other income (expense):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>-</td>
<td>2,141</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(56,193)</td>
<td>(85,870)</td>
</tr>
<tr>
<td>Other</td>
<td>2,584</td>
<td>7,473</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(53,609)</td>
<td>(76,256)</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(672,460)</td>
<td>(955,620)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net loss</td>
<td>(672,460)</td>
<td>(955,620)</td>
</tr>
<tr>
<td>Charge for conversion of nonredeemable convertible Series A preferred stock to redeemable - - - - (4,438,141)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Intelligent Life Corporation
Statements of Redeemable Stock and Stockholders' Equity (Deficit)

<table>
<thead>
<tr>
<th></th>
<th>Redeemable</th>
<th>Redeemable</th>
<th>Redeemable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Convertible</td>
<td>Convertible</td>
<td>Common Stock</td>
</tr>
<tr>
<td></td>
<td>Series A</td>
<td>Series B</td>
<td>Shares</td>
</tr>
<tr>
<td></td>
<td>Shares</td>
<td>Shares</td>
<td>Shares</td>
</tr>
<tr>
<td></td>
<td>Amount</td>
<td>Amount</td>
<td>Amount</td>
</tr>
<tr>
<td>----------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td><strong>Balance, June 30, 1995</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholder loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>contributed to capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td><strong>Balance, June 30, 1996</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholder loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>contributed to capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange of common</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stock for preferred</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stock by principal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stockholder</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of preferred</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stock, net of issuance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>accumulated deficit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to additional paid in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital due to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>change from</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S corporation to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td><strong>Balance, June 30, 1997</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>preferred stock,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net of issuance costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholder loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>converted to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>preferred stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable common</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stock issued</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>related to common</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stock vesting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td><strong>Balance, June 30, 1998</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>common stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>related to common</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stock grants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>preferred stock,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net of issuance costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conversion of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>nonredeemable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>convertible Series A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>preferred stock to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>redeemable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

-26-
<table>
<thead>
<tr>
<th></th>
<th>Convertible Series A Preferred Stock Shares</th>
<th>Amount</th>
<th>Common Stock Shares</th>
<th>Amount</th>
<th>Additional Paid in Capital</th>
<th>Unamortized Stock Compensation Expense</th>
<th>Accumulated Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances, June 30, 1995</td>
<td>-</td>
<td>$</td>
<td>5,000,000</td>
<td>$</td>
<td>$ 275,000</td>
<td></td>
<td>$(1,420,537)</td>
</tr>
<tr>
<td>Stockholder loans</td>
<td>contributed to capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>260,000</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Net loss for the period</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Balances, June 30, 1996</td>
<td>-</td>
<td>$</td>
<td>5,000,000</td>
<td>$</td>
<td>535,000</td>
<td></td>
<td>(2,092,977)</td>
</tr>
<tr>
<td>Stockholder loans</td>
<td>contributed to capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,536,922</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Exchange of common stock for preferred stock by principal stockholder</td>
<td>23,076</td>
<td>1,499,940</td>
<td>(1,153,800)</td>
<td>(11,538)</td>
<td>(1,488,402)</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Issuance of preferred stock, net of issuance costs</td>
<td>30,770</td>
<td>1,962,168</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Net loss for the period</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Reclassification of accumulated deficit to additional paid in capital due to change from S corporation to C corporation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(583,520)</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Issuance of preferred stock, net of issuance costs</td>
<td>28,074</td>
<td>1,815,519</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Stockholder loans</td>
<td>converted to preferred stock</td>
<td>7,692</td>
<td>500,000</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Redeemable common stock issued</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>354,253</td>
<td></td>
<td>(354,253)</td>
</tr>
<tr>
<td>Stockholders' Equity (Deficit)</td>
<td>&quot;---&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
<td>&quot;---&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances, June 30, 1995</td>
<td>$ (1,095,537)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholder loans contributed to capital</td>
<td>260,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td>(672,440)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances, June 30, 1996</td>
<td>(1,507,977)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholder loans contributed to capital</td>
<td>1,536,922</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange of common stock for preferred stock by principal stockholder</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of preferred stock, net of issuance costs</td>
<td>1,962,168</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td>(955,620)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification of accumulated deficit to additional paid in capital due to change from S corporation to C corporation</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances, June 30, 1997</td>
<td>1,035,493</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of preferred stock, net of issuance costs</td>
<td>1,815,519</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholder loans converted to preferred stock</td>
<td>500,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable common stock issued</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation expense related to common stock vesting</td>
<td>88,563</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td>(2,782,493)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances, June 30, 1998</td>
<td>657,082</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common stock</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation expense related to common stock grants</td>
<td>669,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of preferred stock, net of issuance costs</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conversion of nonredeemable convertible Series A preferred stock to redeemable</td>
<td>(10,215,768)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td>(2,095,218)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances, December 31, 1998</td>
<td>(10,984,904)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conversion of Series A and Series B preferred stock to common stock (Note 12) (Unaudited)</td>
<td>12,198,303</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Issuance and
conversion of promissory note to Series B preferred stock and conversion of Series B preferred stock to common stock including finance charge for beneficial conversion feature on the promissory note of $2,656,000 (Note 12) (Unaudited) 1,000,000

Forgiveness of note receivable for redeemable common stock, reclassification of redeemable common stock to common stock, cancellation of the put right associated with such shares and reacquisition of forfeited shares and associated compensation charge of $1,782,000 (Note 12) (Unaudited) -

Initial public offering of common stock (Note 12) (Unaudited) 41,447,000

Balances, December 31, 1998 (pro forma) (Note 12) (Unaudited) $ 43,660,399

See accompanying notes to financial statements.

Intelligent Life Corporation
Statements of Cash Flows

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Six months ended December 31</th>
</tr>
</thead>
</table>

Cash flows from operating activities:
- Net loss $ (672,440) $ (955,620) $ (2,782,493) $ (904,115) $ (2,095,218)
- Noncash stock compensation - - 88,563 - 669,000
- Changes in operating assets and liabilities:
  - Increase in accounts receivable (98,062) (109,793) (42,451) (5,228) (216,021)
  - Increase in accounts payable 163,640 59,238 (168,214) (272,167) 102,876
  - Increase in accrued expenses 90,747 (127,480) (19,415) (120,199) 136,540

Total adjustments 327,013 121,904 21,776 (307,209) 888,065

Net cash used in operating activities (345,427) (833,716) (2,760,717) (1,211,324) (1,207,153)

Cash flows used in investing activities:
- Purchases of equipment (39,643) (90,501) (407,203) (276,575) (26,875)

Net cash used in investing activities (39,643) (90,501) (407,203) (276,575) (26,875)

Cash flows from financing activities:
Loans from stockholders                                  385,070        687,000         500,000         15,743            -
Principal payments on capital lease obligations                -              -               -              -         (25,834)
Proceeds from issuance of preferred stock                      -      2,000,045       1,815,519        822,665       1,982,535
Net cash provided by financing activities              385,070      2,687,045       2,315,519        838,408       1,956,701
Net increase (decrease) in cash and cash equivalents              -      1,762,828        (852,401)      (649,491)        722,673
Supplemental disclosures of cash flow information:
  Cash paid during the period for interest            $  25,600     $  113,200     $     6,216    $         -     $    12,433
Supplemental schedule of noncash investing and financing activities:
  Accounts payable related to recapitalization and issuance of stock $ -     $  37,877 $ -     $ -     $ -
  Stockholder loans contributed to capital for preferred stock $260,000  $1,536,922 $500,000 $ - $ -
  Equipment acquired under capital leases               $ -     $   18,000 $ -     $ -     $ 380,000

See accompanying notes to financial statements.

-28-
The preparation of 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 and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The cost of these investments approximates fair value.

Fixed Assets

Property and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term (if the Company does not retain ownership of the property or has a bargain purchase option) or the estimated useful lives of the improvements. Equipment under capital leases are stated at the present value of the future minimum lease payments.

Intangible Assets

Intangible assets consist primarily of trademarks. The cost of the trademarks is being amortized over the estimated useful lives, which is approximately five years, on a straight-line basis.

Basic and Diluted Net Loss Per Share

The Company computes net loss per share in accordance with the provisions of Statement of Financial Standards No. 128, "Earnings per Share" ("FAS 128") and Staff Accounting Bulletin No. 98 ("SAB 98"). Under FAS 128 and SAB 98, basic and diluted net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of common shares outstanding for the period. The calculation of diluted net loss per share excludes common stock equivalents, consisting of outstanding stock options, redeemable common stock and convertible preferred stock, as the effect of their conversion to common stock would be antidilutive.

Common stock equivalents that could potentially dilute basic earnings per share in the future that were not included in diluted earnings per share because their effect on periods presented was antidilutive total 5,693,155 at December 31, 1998.

Stock-Based Compensation

The Company accounts for stock-based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees", and complies with the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". Under APB 25, compensation cost, if any, for fixed plan accounting, is recognized over the respective vesting period based on the difference, on the grant date, between the fair value of the Company's common stock and the grant price.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or
settled. The effect on deferred tax assets and liabilities of a change in tax
rates is recognized in income in the period that includes the enactment date.

Revenue Recognition

The Company generates revenue from two primary sources: online publishing, and
print publishing and licensing.

The Company sells advertisements for its various Internet sites (including co-
branded sites) including banner and billboard advertisements. Advertising sales
are invoiced monthly based on the expected number of advertisement "impressions"
or the number of times the advertisement is viewed by users of the Company's
Internet sites. Revenue is recognized monthly based on the percentage of actual
impressions to the total number of impressions contracted. Revenue for
impressions invoiced but not delivered is deferred. The Company sells hyperlinks
to various third-party Internet sites that generate a fixed monthly fee, which
is recognized in the month earned. The Company is also involved in revenue
sharing arrangements with its online "partners" where the consumer uses
hyperlinks to link to co-branded sites principally hosted by the Company.
Revenue is effectively allocated to each partner based on the percentage of
advertisement views at each site. The allocated revenue is shared according to
the distribution agreements. Revenue is recorded gross and partnership payments
are recorded in cost of operations.

The Company sells advertisements for consumer mortgage rate tables. The rate
tables and advertising are published in various newspapers under revenue sharing
arrangements. Revenue is recognized when the tables are run in the respective
newspaper. Revenue is recorded gross and revenue sharing payments are recorded
in cost of operations. In addition, the Company earns subscription revenue from
the three newsletters. Revenue is recognized ratably over the period of the
subscription, which is generally up to one year. The Company also earns print
revenue through other means including licensing rate tables for insertion into
newspapers and by providing product rates and yields to financial institutions
for publication. Revenue is recognized ratably over the contract period.

Barter transactions are recorded at the lower of estimated fair value of the
goods or services received or the estimated fair value of the advertisements
given. To date, barter transaction have been immaterial.

Marketing

includes advertising costs, which are charged to expense as
incurred.

Recent Accounting Pronouncements

In June 1997, Statement of Financial Accounting Standards No. 130 ("FAS 130"),
"Reporting Comprehensive Income", was issued and was adopted by the Company as
of July 1, 1998. FAS 130 establishes standards for reporting and display of
comprehensive income and its components in a full set of general-purpose
financial statements. This statement requires that an enterprise (a) classify
items of other comprehensive income by their nature in financial statements and
(b) display the accumulated balance of other comprehensive income separately
from accumulated deficit and additional paid in capital in the equity section of
statements of financial position. Comprehensive income is defined as the change
in equity during the financial reporting period of a business enterprise
resulting from non-owner sources. Comprehensive income approximates the net loss
for all periods presented.

In June 1997, Statement of Financial Accounting Standards No. 131 ("FAS 131"),
"Disclosures About Segments of an Enterprise with Related Information" was
issued. FAS 131 established standards for the way public business enterprises
report information about operating segments in annual financial statements and
requires those enterprises to report selected information about operating
segments in interim financial reports issued to stockholders. FAS 131 is
effective for financial statements for fiscal years beginning after December 31,
In June 1998, Statement of Financial Accounting Standards No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities" was issued. FAS 133 establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. FAS 133 is effective for all fiscal years beginning after June 15, 1999. This statement does not currently apply to the Company as the Company currently does not have any derivative instruments or hedging activities.

NOTE 3 - CAPITALIZATION

Stock Splits

In June 1997 and August 1997, the Company authorized and executed a 100-for-1 and a 10-for-1 stock split, respectively. Additionally, on April 9, 1999, the Company authorized and executed a 5 to 1 stock split, effected as a stock dividend, of each issued and outstanding share of common stock. The information in the accompanying financial statements has been retroactively restated to reflect the effects of these stock splits and dividend.

Authorized Shares

In April 1999, the Company amended and restated its certificate of incorporation. As a result, the total number of shares which the Company is authorized to issue is 100,120,000: 100,000,000 of these shares are Common stock, each having a par value of $.01; and 120,000 shares are Preferred stock, each having a par value of $.01, of which 90,000 shares are Series A Convertible Preferred stock and 30,000 are Series B Convertible Preferred stock.

Common Stock and Convertible Preferred Stock

In 1996 and 1997, a director and then sole stockholder, Peter C. Morse ("Morse"), contributed loans due to him to additional paid in capital in the aggregate amounts of $260,000 and $1,536,922, respectively.

In June 1997, the Company and certain investors entered into a Series A Preferred Stock Purchase Agreement ("the Agreement"). The Series A Preferred Stock is voting, non-cumulative and preferred as to the first $4.55 per share per year of funds legally available and declared by the Board of Directors, has a liquidation preference above common stockholders of $65.00 per share, each share is convertible into 50 shares of common stock at a conversion price of $1.30, and has other rights and preferences. Pursuant to the Agreement, investors acquired 30,770 shares of Series A Preferred Stock at $65.00 per share. During 1997, Morse exchanged 1,153,800 shares of common stock for 23,076 shares of Series A preferred.

In August and September 1997, 11,538 shares of Series A Preferred Stock were issued at $65.00 per share, resulting in net proceeds to the Company of $740,709.

In October 1997, an additional 1,154 shares of Series A Preferred Stock were issued at $65.00 per share, resulting in net proceeds to the Company of $75,000. Investors agreed to acquire 23,074 shares of Series A Preferred Stock at $65.00 per share, resulting in net proceeds to the Company of $1,499,810. This purchase included the contribution of loans due to Morse in the amount of $200,000 and the contribution of $300,000 in loans due to other investors for an aggregate of 7,692 shares of Series A Preferred Stock.

On November 24, 1998, the Series A Preferred Stock was converted from non-redeemable Preferred Stock to redeemable Preferred Stock. This transaction was treated as an extinguishment and the new instrument was recorded at fair value on the conversion date. The difference between the fair value on the conversion date and the carrying value was charged to equity.

In November 1998, the Company and certain investors entered into a Series B Preferred Stock Purchase Agreement. Pursuant to this agreement, 17,575 shares of Series B Preferred Stock were issued at $113.80 per share, resulting in net
proceeds to the Company of $1,982,535. The Series B Preferred Stock is voting, non-cumulative and preferred as to the first $8.00 per share per year out of funds legally available and declared by the Board of Directors, has liquidation preferences over the Series A Preferred and common stockholders of $113.80 per share, each share is convertible into 50 shares of common stock at a conversion price of $2.28, and has other rights and preferences.

The redemption clause of the Series A and Series B Preferred Stock allows the holders of 20% or more of the aggregate number of shares of common stock issuable upon conversion of the Series A and Series B Preferred then outstanding to redeem their shares on or after January 2, 2003, provided that the maximum number of shares of Series A and Series B Preferred which the Company is obligated to redeem does not exceed the aggregate of 35,729 shares prior to January 3, 2004 and 71,458 shares prior to January 3, 2005, and thereafter the Company is obligated to redeem all such shares outstanding as to which such right has been exercised. The redemption price is equal to the greatest of (as defined in the respective agreement) (x) the Series A liquidation preference or Series B liquidation preference, applicable to such shares or (y) the fair market value of such shares or (z) an amount per share of Series A or Series B Preferred equal to ten (10) times the net after tax earnings per share for the most recently completed fiscal of the Company times the number of shares of common stock issuable upon the conversion of one (1) share of Series A or Series B Preferred and the conversion price then in effect. The Company is recording accretion on the Series A and Series B Preferred Stock equal to the difference between the net proceeds received and the redemption amount of approximately $14,500,000 based on the estimated fair value at December 31, 1998 using the interest method from the conversion date for the Series A Preferred and original issue date for the Series B Preferred through the final redemption date of January 3, 2005. The accretion for the Series A and Series B Preferred for the one month through December 31, 1998 is not significant and was not recorded.

Restricted Stock Grants

Effective August 1998, the Company entered into a Restricted Stock Grant Agreement (the "Stock Agreement") with an employee of the Company (the "Grantee") that provides for the issuance of restricted stock to the Grantee in accordance with the 1997 Equity Compensation Plan (discussed in Note 4) in satisfaction of certain obligations as described in an employment agreement between the Company and the Grantee. The Company issued 207,000 shares of its common stock to the Grantee in August 1998, subject to the restrictions set forth in the Stock Agreement. Restrictions lapsed on 138,000 shares during the six-month period ended December 31, 1998 and the remainder will lapse in 1999. Total compensation expense to be recognized by the Company over the vesting period amounts to $269,000 (based on estimated values from other transactions involving sales of the Company’s stock) of which $209,000 was recognized during the six-month period ended December 31, 1998.

In March 1998, the Company entered into a Restricted Stock Grant Agreement (the "Grant Agreement") with an Officer of the Company (the "Officer") that provides for the issuance of restricted stock to the Officer in accordance with the 1997 Equity Compensation Plan (discussed in Note 4). On March 23, 1998, the Company issued 454,170 shares of its common stock to the Officer for an aggregate consideration of $236,168, which amount was paid by an interest-bearing promissory note from the Officer. The Officer has a put right which requires the Company to repurchase his shares at the same price he paid for the shares including interest. Restrictions lapse as follows: 113,540 shares on July 1, 1998, and 9,460 shares on the first day of each month starting August 1, 1998 and ending July 1, 2001. In accordance with Emerging Issues Task Force 95-16, this arrangement is being accounted for as a variable plan which requires increases or decreases in stock based compensation expense based on increases or decreases in the fair market value of the Company's common stock. Compensation expense recognized during 1998 in accordance with FASB Interpretation No. 28 approximated $88,000 and $460,000 for the six-month period ended December 31, 1998 based on estimated values from other transactions involving sales of the Company's stock.
NOTE 4 - STOCK OPTION PLAN

During 1997, the Company adopted the 1997 Equity Compensation Plan (the "Plan") to provide directors, officers, non-employee members of the Board of Directors of the Company and certain consultants and advisors with the opportunity to receive grants of incentive stock options, non-qualified stock options and restricted stock. The Board of Directors has the sole authority to determine who receives such grants, the type, size and timing of such grants, and specify the terms of any noncompetition or other agreements relating to the grants. The aggregate number of shares that may be issued under the Plan is 900,000; 46,550 shares are available for grant as of December 31, 1998.

The exercise price of any option grant shall be determined by the Board of Directors and may be equal to, greater than, or less than the fair market value of the stock on the grant date. Provided, however, that the exercise price shall be equal to or greater than the fair market value of the stock on the date of grant and an option may not be granted to an employee who at the time of the grant owns more than 10% of the total combined voting power of all classes of stock of the Company, unless the exercise price is not less than 110% of the fair market value of the stock on the date of the grant.

The per share weighted average fair value of stock options granted during the year ended June 30, 1998 was approximately $.40 and for the six-month period ended December 31, 1998 was between $.40 and $1.30 on the date of grant using the Black-Scholes option pricing model (excluding a volatility assumption) with the following weighted average assumptions: expected dividend yield of 0%, risk-free interest rates of 4.76% to 5.67%, and expected lives of 5.5 years and 6 years.

The Company applies APB Opinion No. 25 in accounting for its Plan. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under FAS No. 123, the Company’s net loss would have increased to the pro forma amount indicated below:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss applicable to common stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As reported</td>
<td>$ (955,620)</td>
<td>$ (2,782,493)</td>
</tr>
<tr>
<td>Pro forma</td>
<td>$ (955,620)</td>
<td>$ (2,752,493)</td>
</tr>
<tr>
<td>Basic net loss per common share-as reported</td>
<td>$ (0.20)</td>
<td>$ (0.72)</td>
</tr>
<tr>
<td>Basic net loss per common share-pro forma</td>
<td>$ (0.20)</td>
<td>$ (0.73)</td>
</tr>
</tbody>
</table>

Stock option activity during the years ended June 30, 1997 and 1998 and the six-month period ended December 31, 1998 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Number of Shares</th>
<th>Weighted average exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances, June 30, 1996</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exercised</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Forfeited</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expired</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balances, June 30, 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granted 89,530</td>
</tr>
<tr>
<td>Exercised</td>
</tr>
<tr>
<td>Forfeited</td>
</tr>
</tbody>
</table>
Expired -
Balances, June 30, 1998 89,530 $1.30
Granted 102,750 $1.30
Exercised - -
Forfeited - -
Expired - -
Balances, December 31, 1998 192,280 $1.30

At December 31, 1998, the exercise price and weighted average remaining contractual life of outstanding options was $1.30 and 9.6 years, respectively.

At December 31, 1998, there were no options exercisable.

The above table does not include the 661,170 shares of restricted stock issued under the Plan discussed in Note 3 to the financial statements.

NOTE 5 - FINANCIAL STATEMENT DETAILS

Furniture, fixtures and equipment consists of the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>$80,138</td>
<td>$157,519</td>
<td>$159,674</td>
</tr>
<tr>
<td>Computers and software,</td>
<td>229,672</td>
<td>469,669</td>
<td>$72,163</td>
</tr>
<tr>
<td>including assets under</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital leases of $0, $0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and $379,887 respectively</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment including assets under capital leases of $0, $17,950 and $17,950 respectively</td>
<td>11,982</td>
<td>106,735</td>
<td>108,417</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,596</td>
<td>12,879</td>
<td>12,879</td>
</tr>
<tr>
<td></td>
<td>323,288</td>
<td>746,802</td>
<td>1,153,133</td>
</tr>
</tbody>
</table>

Less: accumulated depreciation and amortization, including amounts related to assets under capital leases of $0, $496 and $31,194, respectively

<table>
<thead>
<tr>
<th></th>
<th>Year Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacation</td>
<td>$15,070</td>
<td>$72,523</td>
</tr>
<tr>
<td>Partner payments</td>
<td>9,900</td>
<td>79,987</td>
</tr>
<tr>
<td>Commissions</td>
<td>130,404</td>
<td>143,123</td>
</tr>
<tr>
<td>Payroll and related costs</td>
<td>67,933</td>
<td>43,074</td>
</tr>
<tr>
<td>Other</td>
<td>64,999</td>
<td>71,951</td>
</tr>
<tr>
<td></td>
<td>287,726</td>
<td>406,658</td>
</tr>
</tbody>
</table>

Accrued expenses consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morse Partners, Ltd., a partnership controlled by Morse advanced the Company $138,750 for the year ended June 30, 1997. The amount has subsequently been repaid.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE 6 - RELATED PARTY TRANSACTIONS

As a Director and majority stockholder, Morse is a related party. The Company leases offices in South Florida from Bombay Holdings, Inc. ("Bombay") which is wholly owned by Morse. Total rent paid to Bombay for the years ended June 30, 1997 and 1998 and for the six-month period ended December 31, 1998 was $85,591, $164,552 and $99,192, respectively. (see Note 9).

During the six-month period ended December 31, 1998, the Company entered into an additional lease with Bombay totaling $101,000 to be paid over a 19-month period.

Morse has from time to time advanced capital to the Company. Such loans for the years ended June 30, 1997 and 1998 and for the six-month period ended December 31, 1998 amounted to $687,000, $200,000 and $0, respectively. Interest rates for the loans were 6.5% – 7%. During 1996 and 1997, certain stockholder loans were contributed to capital (see Note 3).
NOTE 7 - SALE OF PUBLICATION

In December 1998, the Company sold substantially all of the assets, including the intellectual property of one of its newsletters, Bank Advertising News. The newsletter was sold for $125,000 in cash and assumed liabilities of approximately $80,000. The gain on the sale was $185,588, net of $16,524 of selling expenses, and has been recorded in other income.

Revenue for Bank Advertising News for the year ended June 30, 1998 and for the six-month period ended December 31, 1998 was $178,270 and $82,953, respectively. Cost of operations for Bank Advertising News for the year ended June 30, 1998 and for the six-month period ended December 31, 1998 was $57,445 and $53,138, respectively. Net assets (liabilities) of Bank Advertising News at June 30, 1998 and date of sale were approximately $(120,000) and $(80,000), respectively.

NOTE 8 - INCOME TAXES

The Company did not record any income tax expense during the years ended June 30, 1996 and 1997 because it was operating as an S Corporation. Further there was no pro forma provision for income taxes for those years because the Company reported operating losses.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at June 30, 1997 and 1998, and December 31, 1998 are presented below.

<table>
<thead>
<tr>
<th>Deferred tax assets:</th>
<th>Year Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating loss carryforward</td>
<td>$ 9,811</td>
<td>$ 1,196,975</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>127,667</td>
<td>143,438</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>-</td>
<td>9,011</td>
</tr>
<tr>
<td>Total gross deferred tax assets</td>
<td>137,478</td>
<td>1,349,424</td>
</tr>
<tr>
<td>Loss valuation allowance</td>
<td>(137,478)</td>
<td>(1,349,424)</td>
</tr>
<tr>
<td>Net deferred tax assets deferred tax assets</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

The valuation allowance for deferred tax assets as of June 30, 1997 and 1998, and at December 31, 1998 was $137,478, $1,349,424 and $2,136,016, respectively. The net change in the total valuation allowance for the years ended June 30, 1998, and the six-month period ended December 31, 1998 was an increase of $137,478, $1,211,946 and $786,592, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

An increase in the valuation allowance offset the deferred tax asset caused by net operating losses which are not currently usable. This increase is the principal difference between the expected amounts of tax benefits computed by applying the statutory federal income tax rate to the Company's loss before income taxes for the year ended June 30, 1998 and the six-month period ended December 31, 1998. The Company recorded no tax benefit for these periods.

At December 31, 1998, the Company had net operating loss carryforwards of approximately $5,300,000 which expire beginning in 2012 through 2018. The amount of net operating loss carryforwards may be limited if the Company has an ownership change. In the event of an ownership change, the amount of taxable income of a loss corporation for any postchange year which may be offset by prechange losses shall not exceed the Internal Revenue Code Section 382 limitation for such year. Generally, an ownership change occurs if a 5%
stockholder or any equity structure shift increases the percentage of the stock of the

loss corporation owned by more than 50 percentage points over the lowest percentage of stock of the loss corporation owned by such stockholders at any time during a three-year look back testing period. The Section 382 limitation is equal to the value of the old loss corporation (before the ownership change) multiplied by the Federal long-term tax-exempt rate.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Leases

Bombay is wholly owned by Morse. The Company leases office space from Bombay under the terms of a lease agreement dated May 1, 1994 and amendments dated September 1, 1997 and January 1, 1998. The lease includes renewal options for a period of three years and requires the Company to pay a percentage of the common maintenance charges. The lease payments are subject to an annual increase based on the consumer price index of the Fort Lauderdale/Miami region. Offices in New York and California are month-to-month leases.

Total rent expense amounted to $85,591 and $164,552 for the years ended June 30, 1997 and 1998, and $109,872 for the six-month period ended December 31, 1998.

Future minimum lease payments under non-cancelable operating leases and future minimum capital lease payments as of December 31, 1998 were:

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th>Operating Leases</th>
<th>Capital Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating</td>
<td>Capital</td>
</tr>
<tr>
<td></td>
<td>Leases</td>
<td>Leases</td>
</tr>
<tr>
<td>1999</td>
<td>$304,440</td>
<td>$173,754</td>
</tr>
<tr>
<td>2000</td>
<td>222,355</td>
<td>156,564</td>
</tr>
<tr>
<td>2001</td>
<td>53,354</td>
<td>124,521</td>
</tr>
<tr>
<td>2002</td>
<td>9,048</td>
<td>3,258</td>
</tr>
<tr>
<td>2003</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>$588,997</td>
<td>458,097</td>
</tr>
<tr>
<td>Less amount representing interest at rates ranging from 7.6% to 22%</td>
<td>(81,683)</td>
<td></td>
</tr>
<tr>
<td>Present value of net minimum capital lease payments</td>
<td></td>
<td>376,414</td>
</tr>
<tr>
<td>Less current installments of obligations under current leases</td>
<td>(113,405)</td>
<td></td>
</tr>
<tr>
<td>Obligations under capital leases, excluding current installments</td>
<td>$263,009</td>
<td></td>
</tr>
</tbody>
</table>

Distribution Agreements

The Company has various agreements with advertisers, content providers and other web sites that require it to feature such parties exclusively in certain sections of its Internet sites.

Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

NOTE 10 - SEGMENT INFORMATION

The Company operates in two reportable business segments: online publishing and print publishing and licensing. The online publishing segment is primarily engaged in the sale of advertising, sponsorships and hyperlinks in connection with our Internet web sites bankrate.com, theWhiz.com, Consejero.com and CPNet.com. The print publishing and licensing segment is primarily engaged in the sale of advertising in the Consumer Mortgage Guide rate tables, newsletter
subscriptions and licensing to research information. We also charge a commission for the placement of the Consumer Mortgage Guide in a print publication. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2.

Although no one customer accounted for more than 10% of total revenue for the six-month period ended December 31, 1998, the five largest customers accounted for approximately 18% of total revenues for that period.

Summarized segment information as of and for the six-month period ended December 31, 1998 is presented below:

<table>
<thead>
<tr>
<th></th>
<th>Online Publishing</th>
<th>Print Publishing and Licensing</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$1,808,877</td>
<td>$1,660,314</td>
<td></td>
<td>$3,469,191</td>
</tr>
<tr>
<td>Direct costs of operations</td>
<td>978,964</td>
<td>1,100,693</td>
<td></td>
<td>2,079,657</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>1,104,039</td>
<td>-</td>
<td>18,283</td>
<td>1,122,322</td>
</tr>
<tr>
<td>Product research</td>
<td>677,183</td>
<td>238,778</td>
<td></td>
<td>915,961</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>454,179</td>
<td>416,878</td>
<td></td>
<td>871,057</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>68,944</td>
<td>29,547</td>
<td></td>
<td>98,491</td>
</tr>
<tr>
<td>Noncash stock based compensation</td>
<td>-</td>
<td>-</td>
<td>669,000</td>
<td>669,000</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>-</td>
<td>185,588</td>
<td>6,491</td>
<td>192,079</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(1,474,432)</td>
<td>60,006</td>
<td>(680,792)</td>
<td>(2,095,218)</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,945,391</td>
<td>1,153,961</td>
<td></td>
<td>3,099,352</td>
</tr>
</tbody>
</table>

NOTE 11 - OTHER SUBSEQUENT EVENTS (UNAUDITED)

Purchase of CPNet.com

In January 1999, the Company purchased all of the assets of CPNet.com, excluding cash and real or personal property leases for $25,000 in cash. In addition, the sellers were employed by the Company and granted 30,000 options under the 1997 Equity Compensation Plan with an exercise price of $1.30. Based on the estimated values from other stock transactions involving sales of the Company's stock, the Company will incur a total stock compensation charge of $45,000. CPNet.com's historical statements of operations are not material to the Company.

1997 Equity Compensation Plan

In January 1999, the Company amended the 1997 Equity Compensation Plan (the "Plan") to increase the number of shares of common stock of the Company authorized for issuance under the Plan to 1,500,000 shares.

1999 Equity Compensation Plan

In March 1999, the Company's stockholders approved the 1999 Equity Compensation Plan (the "1999 Plan") to provide designated employees of the Company and its subsidiaries, certain consultants and non-employee members of the Board of Directors of the Company with the opportunity to receive grants of incentive stock options, nonqualified stock options and restricted stock. The 1999 Plan is authorized to grant options for up to 1,500,000 shares. In March 1999, the Company granted 358,500 shares to the Officer.

Stock Options

On March 2, 1999 and March 12, 1999 the Company granted 201,720 and 5,000 options, respectively, under the 1997 Equity Compensation Plan to purchase common stock at $2.97 per share. These option vest over a 48 month period, and accordingly the Company will recognize total compensation expense relating to these option of approximately $1,620,000 ratably over the vesting period.
Effective with the completion of the Company's initial public offering of common stock, the Company granted 472,500 options and the Board has authorized the grant of another 25,000 options under the 1997 Equity Compensation Plan to purchase common stock at the initial public offering price of $13.00 per share which vest one-fourth after one year and the remaining equally over the next 36 months.

Redeemable Common Stock

On March 10, 1999 the note receivable for the restricted stock grant to the Officer (see Note 3) was forgiven, the unvested shares (264,932) were effectively forfeited, the Officer's put right was cancelled, and certain other changes were made. Accordingly, "fixed" option accounting treatment was established on this date. The total charge for stock based compensation expense relating to this restricted stock grant for the period from January 1, 1999 through March 9, 1999 was approximately $1,782,000. On March 9, 1999, the Officer was also granted 358,500 options under the 1999 Equity Compensation Plan to purchase 358,500 shares of common stock at $2.97 per share which vest over a 36 month period, and accordingly the Company will recognize total compensation expense relating to these options of approximately $2,807,000, ratably over the vesting period.

Convertible Promissory Note

On March 9, 1999, one of the Series B Preferred Stockholders loaned the Company $1,000,000 bearing interest at 8%, due April 9, 1999. If unpaid on the due date, the note was to convert into fully paid Series B Preferred Stock at a conversion price of $2.97 per share. On April 9, 1999, the principal amount of the loan plus accrued interest was converted into 6,784 shares of Series B Preferred Stock. The Company recorded a finance charge of $2,656,000 representing the difference between the estimated fair market value of the common stock (as if the 6,784 shares were converted) and the $2.97 conversion price.

Change in Year-end

On April 12, 1999, the Company's Board of Directors approved changing the Company's fiscal year-end to December 31.

NOTE 12 - PRO FORMA (UNAUDITED)

The unaudited pro forma December 31, 1998 balance sheet gives effect to the following:

1. Conversion of 89,612 and 17,575 shares of redeemable convertible Series A and Series B preferred stock, respectively, into 5,359,350 shares of common stock.
2. Issuance of the $1,000,000 promissory note on March 9, 1999, subsequent conversion to 6,784 shares of Series B Preferred Stock and conversion of the Series B Preferred Stock to 339,200 shares of common stock and the associated finance charge of approximately $2,656,000 due to the beneficial conversion feature.
3. Reclassification of 189,238 shares of redeemable common stock to common stock upon cancellation of the put right associated with such shares and upon forgiveness of a promissory note issued in consideration for 454,170 shares (264,932 shares of stock were reacquired) and the associated charge of approximately $1,782,000.
4. Issuance of 3,500,000 shares of common stock in the Company's initial public offering with net proceeds to the Company of approximately $41.1 million.

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

None.
PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors and executive officers of the Company are as follows:

MANAGEMENT

Directors and Executive Officers

Our directors and executive officers and their ages as of the date of this Form 10-K are as follows:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Age</th>
<th>Position(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>William P. Anderson, III</td>
<td>50</td>
<td>President, Chief Executive Officer and Director</td>
</tr>
<tr>
<td>Edward Vermont Blanchard</td>
<td>47</td>
<td>Executive Vice President - Strategy and Acquisitions</td>
</tr>
<tr>
<td>Sara Campbell Taylor</td>
<td>41</td>
<td>Senior Vice President - Sales and Syndication</td>
</tr>
<tr>
<td>Peter W. Minford</td>
<td>41</td>
<td>Senior Vice President - Administration</td>
</tr>
<tr>
<td>G. Cotter Cunningham</td>
<td>36</td>
<td>Senior Vice President - Marketing</td>
</tr>
<tr>
<td>Bruns H. Grayson(1)</td>
<td>51</td>
<td>Director</td>
</tr>
<tr>
<td>Peter C. Morse(2)</td>
<td>52</td>
<td>Director</td>
</tr>
<tr>
<td>Robert P. O'Block</td>
<td>56</td>
<td>Director</td>
</tr>
<tr>
<td>Randall E. Poliner(1)(2)</td>
<td>43</td>
<td>Director</td>
</tr>
</tbody>
</table>

(1) Member of the Compensation Committee.
(2) Member of the Audit Committee.

William P. Anderson, III has served as President and Chief Executive Officer of Intelligent Life and director since July 1997. From its creation to June 1997, Mr. Anderson served as President and Chief Executive Officer of Block Financial Corporation, a subsidiary of H&R Block, Inc. engaged in consumer lending, software and online financial services delivery. From August 1992 to September 1995, Mr. Anderson served as Chief Financial Officer of H&R Block, Inc. From July 1973 to November 1991, Mr. Anderson worked at KPMG LLP in various capacities including serving as partner-in-charge of the national corporate finance practice within the management consulting department. Mr. Anderson is a member of the Board of Directors of SecureTax.com, Inc., a privately held company. Mr. Anderson holds a Bachelor of Mechanical Engineering from Auburn University and an M.B.A. from Emory University.

Edward Vermont "Monty" Blanchard has served as Executive Vice President-Strategy and Acquisitions since May of 1999. Mr. Blanchard is a former Managing Director and co-head of the Financial Institutions Mergers & Acquisitions Group at Merrill Lynch & Co., Inc. While at Merrill Lynch, Mr. Blanchard served as strategic M&A Advisor for a number of the firm's large financial service clients in the insurance, asset management, credit card, consumer and commercial financial industries. In addition, he acted as a senior internal M&A Advisor and negotiator for a number of Merrill Lynch's own acquisitions, including Smith New Court (U.K.), Macintosh Securities (Australia), Mercury Asset Management (U.K.), Midland Walwyn (Canada) and the takeover of selected former branches of Yamaichi Securities in Japan. Mr. Blanchard has worked as an investment banker since 1979 and was employed at Merrill Lynch from 1966 to 1999. He has a B.A from Harvard University and an M.B.A. from the University of North Carolina at Chapel Hill.

Sara Campbell Taylor has served as Senior Vice President-Sales and Syndication of Intelligent Life, responsible for advertising sales and distribution arrangements, since May 1996. From January 1993 to June 1996, Ms. Taylor served as Vice President-Asset Securitization for ABN Amro Securities, Inc., an investment banking firm. Ms. Taylor specialized in mergers and acquisitions, structured finance and asset valuation. Ms. Campbell holds a B.S. in Finance from
Peter W. Minford has served as Senior Vice President-Administration of Intelligent Life since February 1998. From August 1992 to February 1998, Mr. Minford served as Senior Vice President-Administration at The Bank of Tampa. Mr. Minford has held various senior management positions in commercial banking for over 19 years including roles in credit administration, commercial lending, general administration and operations. Mr. Minford holds a B.S. in Finance from Florida State University and an M.B.A. from the University of South Florida.

G. Cotter Cunningham has served as Senior Vice President-Marketing of Intelligent Life since February 1999. From August 1997 to January 1999, Mr. Cunningham was Vice President of Valentine McCormick Ligibel, Inc., an advertising agency specializing in new media. From August 1992 to July 1997, Mr. Cunningham was Vice President of Block Financial Corporation, where he created, launched and directed the CompuServe Visa and WebCare Visa credit card programs. Mr. Cunningham holds a B.S. in Economics from the University of Memphis and an M.B.A. from Vanderbilt University's Owen Graduate School of Management.

Bruns H. Grayson has served as director of Intelligent Life since June 1997. Since 1982, Mr. Grayson has been the managing partner of ABS Ventures, a series of venture capital funds affiliated with BT Alex. Brown Incorporated. Mr. Grayson is also a member of the Board of Directors of Anadigics, Inc., Dialog Software, Inc., Formation Systems, Inc., i-Logix, Inc., Software Corporation of America and Telogy Networks, Inc. Mr. Grayson holds a B.A. from Harvard University, an M.A. from Oxford University and a J.D. from the University of Virginia Law School. Mr. Grayson was a Rhodes Scholar in 1974.

Peter C. Morse has served as a director of Intelligent Life since July 1993. Mr. Morse served as our President and Chief Executive Officer from July 1993 until July 1997 and served as our Chairman from July 1997 until April 1999. Since 1982, Mr. Morse has served as President of Morse Partners, Ltd., a private equity firm that acquires operating companies and provides expansion capital. From 1986 to 1990, Mr. Morse was Chairman of FAO Schwarz, the national chain of children's gifts stores. Mr. Morse has also held senior positions at Janney Montgomery Scott, Inc., an investment banking firm. Mr. Morse holds a B.S.B.A. from Georgetown University and an M.B.A. from Columbia University.

Robert P. O'Block has served as a director since May 1999. Mr. O'Block is currently a general partner of Freeport Center, a real estate and distribution complex in Utah. He is also Chairman of the Board of Overseers of the Boston Symphony and a member of the Board of the U.S. Ski Team. For 28 years, Mr. O'Block, a former Director, was with McKinsey & Company, Inc., serving a wide variety of business, nonprofit and public sector organizations in the United States, Europe and the Far East. He has extensive experience in manufacturing, electronics and financial services and has worked extensively over the past few years with a number of the Harvard teaching hospitals in Boston, as well as the Harvard Medical School. Since joining McKinsey & Company, Mr. O'Block has led studies in financial restructuring; corporate, business unit and product strategy; manufacturing operations; and organization. He started his career as a member of the faculty of Harvard University where he performed research and taught courses in the areas of production and operations of management, business economics and real estate. He is a co-author of the books Urban Analysis and An Economic Analysis of the Housing and Urban Development Act of 1968 (Harvard Business School Press, 1970) and has contributed to several other publications and articles for professional journals. He is listed in Who's Who in Finance and Industry and Who's Who in the World. Mr. O'Block received a bachelor's degree in mechanical engineering from Purdue University and an M.B.A. from Harvard Business School.

Randall E. Poliner has served as a director of Intelligent Life since November 1998. Since April 1993, Mr. Poliner has served as President of Antares Capital Corporation, a private venture capital firm investing equity capital in developmental and expansion stage companies. Mr. Poliner holds a Bachelor of Electrical Engineering from the Georgia Institute of Technology, an M.S. from Carnegie-Mellon University and an M.B.A. from Harvard Business School.

Terms of Directors
Concurrently with the effective date of our initial public offering, the Board of Directors was divided into three classes, with members serving for staggered three-year terms. The Board will be comprised of one Class I director (Mr. Poliner), two Class II directors (Messrs. Anderson and Grayson) and one Class III director (Mr. Morse). At each annual meeting of shareholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the initial Class I directors, Class II directors and Class III directors will expire upon the election and qualification of successor directors at the 2000, 2001 and 2002 annual meetings of shareholders, respectively. There are no family relationships between any of the directors or executive officers of Intelligent Life.

Committees of the Board of Directors

The members of the Audit Committee are Peter C. Morse (Chairman) and Randall E. Poliner. The Audit Committee reviews the scope and timing of our Audit services and any other services our independent auditors are asked to perform, the auditor’s report on our financial statements following completion of their audit and their policies and procedures with respect to internal accounting and financial control. In addition, the Audit Committee makes annual recommendations to the Board of Directors for the appointment of independent auditors for the following year.

The members of the Compensation Committee are Bruns H. Grayson (Chairman) and Randall E. Poliner. The Compensation Committee reviews and evaluates the compensation and benefits of all our officers, reviews general policy matters relating to compensation and benefits of employees of Intelligent Life and makes recommendations concerning these matters to the Board of Directors. The Compensation Committee also administers our stock option plans.

Compensation of Directors

Neither employee nor non-employee directors receive compensation for services performed in their capacity as directors. We reimburse each director for reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors and any of its committees.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is or will be an executive officer of Intelligent Life.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the total compensation for the fiscal year ended December 31, 1998 for our President and Chief Executive Officer. No other executive officer of Intelligent Life received total annual salary and bonuses for the fiscal year ended December 31, 1998 in excess of $100,000.

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Annual Compensation(l)</th>
<th>Long-Term Compensation</th>
<th>All Other Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Bonus</td>
<td>Restricted Stock Awards</td>
</tr>
<tr>
<td>William P. Anderson, III,</td>
<td>$298,000</td>
<td>$0</td>
<td>$354,253</td>
</tr>
<tr>
<td>President and Chief Executive Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) In accordance with the rules of the Securities and Exchange Commission, the compensation set forth in the table does not include compensation in the form of perquisites or other personal benefits because such perquisites and other personal benefits constituted less than the lesser of $50,000 or 10% of the total annual salary and bonus for the named executive officer for
such year.

(2) Consists of the net value of a restricted stock award of 454,170 shares of common stock granted in exchange for a promissory note in the amount $236,168. No such shares were vested as of December 31, 1998. As of March 10, 1999, 189,238 shares had vested, and the remaining shares had been reacquired by Intelligent Life. Accordingly, Intelligent Life recorded compensation expense relating to these shares of approximately $1,782,000 in the quarter ended March 31, 1999. As a result of the reacquisition we cancelled $137,765 of the notes, and the remaining balance of the note, $98,403, was forgiven.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of June 30, 1999, relating to: (1) each of our directors; (2) our President and Chief Executive Officer; (3) all those known by us to be beneficial owners of more than five percent of the outstanding shares of common stock; and (4) all of our executive officers and directors as a group.

<table>
<thead>
<tr>
<th>Shares Beneficially Owned</th>
<th>Shares Beneficially Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to Offering (1)</td>
<td>Owned After Offering(1)</td>
</tr>
<tr>
<td>Shares</td>
<td>Percent</td>
</tr>
<tr>
<td>Shares</td>
<td>Shares</td>
</tr>
<tr>
<td>Percent</td>
<td>Percent</td>
</tr>
</tbody>
</table>

Peter C. Morse.............................................     5,488,800         55.2%         5,488,800         40.8%

200 Four Falls Corporate Center, Suite 205

-27-

<table>
<thead>
<tr>
<th>Shares Beneficially Owned</th>
<th>Shares Beneficially Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to Offering (1)</td>
<td>Owned After Offering(1)</td>
</tr>
<tr>
<td>Shares</td>
<td>Percent</td>
</tr>
<tr>
<td>Shares</td>
<td>Shares</td>
</tr>
<tr>
<td>Percent</td>
<td>Percent</td>
</tr>
</tbody>
</table>

West Conshohocken, Pennsylvania 19428
Robert H. Lessin(2)........................................     1,276,900         12.8          1,276,900          9.5
926 Broadway
New York, New York 10003

Bruns H. Grayson(3)
1 South Street, Suite 2150
Baltimore, Maryland 21202

William P. Anderson, III(4)..................................     209,154          2.1          209,154          1.6
11811 U.S. Highway One, Suite 101
North Palm Beach, Florida 33408

Randall E. Pollin(5) ...........................................     778,650          7.8          778,650          5.8
7900 Miami Lakes Drive West
Miami Lakes, Florida 33016

All directors and executive officers as a group
(seven persons)(4)......................................     9,018,454         90.7          9,018,454         67.1

(1) For purposes of calculating the percentage beneficially owned, the number of shares of common stock deemed outstanding prior to our initial public offering includes (1) 9,940,988 shares outstanding as of April 15, 1999 and (2) shares issuable upon the exercise of options which may be exercised within 60 days following April 15, 1999 ("Presently Exercisable Options"). The number of shares of common stock deemed outstanding after our initial public offering includes the additional 3,500,000 shares that are being offered for sale in our initial public offering. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission that deem shares to be beneficially owned by any person or group that has or shares voting and investment power with respect to such shares. Presently Exercisable Options are deemed to be outstanding and to be beneficially owned by the person or group holding such options for the purpose of computing the percentage ownership of any other person or group.

(2) Includes shares owned by BRM Holdings LLC. Mr. Lessin is a control person of BRM Holdings LLC and is the beneficial owner of such shares.

(3) Consists of shares owned by ABS Ventures IV, L.P. and ABX Fund, L.P. Mr. Grayson is the managing member of each general partner of these limited
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We entered into three lease agreements with Bombay Holdings, Inc. for our principal corporate offices and facilities. Bombay is wholly owned by Peter C. Morse, a director of Intelligent Life. The leases include renewal options and require Intelligent Life to pay a percentage of the common maintenance charges. Rent expense paid to Bombay was $99,192 for the six months ended December 31, 1998 and $164,552, $85,591 and $83,858 for the fiscal years ended 1998, 1997 and 1996, respectively. We believe that the terms of the lease agreements are no less favorable to us than those that could have been obtained from unaffiliated third parties.

Mr. Morse made loans to Intelligent Life during the years ended June 30, 1997 and 1998 in the amounts of $687,000 and $200,000, respectively. Interest rates for the loans were between 6.5% and 7%. The loans have subsequently been contributed to capital.

In June 1998, Mr. Morse acquired 10,769 shares of Series A Preferred Stock from Intelligent Life for a purchase price of $65 per share, which was the price paid by third parties in the same transaction. The aggregate purchase price was $699,985. Immediately prior to completion of our initial public offering, these shares of preferred stock were converted into 538,450 shares of common stock having an aggregate value of $6,999,850 at the initial public offering price. In November 1998, Mr. Morse acquired 527 shares of Series B Preferred Stock from Intelligent Life for a purchase price of $114 per share, which was the price paid by third parties in the same transaction. The aggregate purchase price was $60,078. Immediately prior to completion of our initial public offering, these shares of preferred stock were converted into 26,350 shares of common stock having an aggregate value of $342,550 at the initial public offering price.

As part of a compensation package, we sold 454,170 shares of common stock to William P. Anderson, III, our President and Chief Executive Officer, effective when Mr. Anderson was hired in July 1997. In exchange for such shares, Mr. Anderson executed a promissory note to us for $236,168, which was payable over a ten-year term and bore interest at 6.42%. The stock sale was treated as a variable option grant for accounting purposes with respect to the difference between the purchase price of such shares of $2.97 per share and the fair market value of such shares of $10.80 per share. Accordingly, compensation expense was recorded, totaling approximately $2,282,000 through March 10, 1999. These shares were subject to vesting provisions, which had lapsed as to 189,238 shares as of March 10, 1999. On that date, Intelligent Life reacquired 264,932 shares of unvested common stock from Mr. Anderson in exchange for cancellation of $137,765 of Mr. Anderson's promissory note. The remaining amount of the note, in the amount of $98,403, was forgiven.

On March 9, 1999, Intelligent Life issued Mr. Anderson options to acquire 358,500 shares of common stock at an exercise price of $2.97 per share. The fair market value of such shares was $10.80 per share; accordingly we will incur a stock compensation charge of approximately $2,807,000 relating to these options over a three-year vesting period. The options are intended to qualify as incentive stock options. The options vest in equal monthly installments.

On March 9, 1999, Intelligent Life issued a promissory note to Antares
Capital Fund II Limited Partnership. Randall E. Poliner, a director of
Intelligent Life, is President of the general partner of Antares. Pursuant to
the note, Antares loaned Intelligent Life $1,000,000 at an interest rate of 8%,
which was payable on April 9, 1999. The amount borrowed under the note is being
used for general corporate purposes. On April 9, 1999, in accordance with the
terms of the note, the principal amount plus interest was automatically
converted into 6,784 shares of Series B Preferred Stock at a conversion price of
$148.40 per share. The fair market value of such shares was $10.80 per share;
accordingly we incurred a finance charge of approximately $2,656,000 for the
quarter ended March 31, 1999. Each share of Series B Preferred Stock was
converted into 50 shares of common stock immediately prior to completion of our
initial public offering. The aggregate value of the shares at conversion will be
$4,409,600, calculated at the initial public offering price.

Our Board of Directors has adopted a resolution whereby all future
transactions with related parties, including any loans from us to our officers,
directors, principal stockholders or affiliates, must be approved by a majority
of the Board of Directors, including a majority of the independent and
disinterested members of the Board of Directors or a majority of the
disinterested stockholders and must be on terms no less favorable to us than
could be obtained from unaffiliated third parties.

-29-

PART IV

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

See index on Item 8.

2. Financial Statement Schedules

All financial statement schedules have been omitted since the required
information is not material or is included in the financial statements or notes
thereto.

(c) Exhibits. The following exhibits are filed as part of, or are incorporated
by reference into, this report on Form 10-K:

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1*</td>
<td>Amended and Restated Articles of Incorporation of the Company.</td>
</tr>
<tr>
<td>3.2*</td>
<td>Restated Bylaws of the Company.</td>
</tr>
</tbody>
</table>
| 4.1*           | See exhibits 3.1 and 3.2 for provisions of the Amended and
                 Restated Articles of Incorporation and Amended and Restated
                 Bylaws of the Company defining rights of the holders of common
                 stock of the Company. |
| 4.2*           | Specimen Stock Certificate |
| 10.1*          | Lease Agreement dated May 1, 1994, between Intelligent Life
                 Corporation and Bombay Holdings, Inc. as amended. |
| 10.2*          | Lease Agreement dated October 6, 1997, between Intelligent Life
                 Corporation and Bombay Holdings, Inc. |
| 10.3*          | Lease Agreement dated January 31, 1999, between Intelligent Life
                 Corporation and Bombay Holdings, Inc. |


10.7* Form of Stock Option Agreement under the 1997 Equity Compensation Plan.

10.8* Promissory Note, dated March 9, 1999, executed by Intelligent Life Corporation and payable to Antares Capital Fund II Limited Partnership.

10.9* Cancellation and Stock Repurchase Agreement, dated as of March 10, 1999, by Intelligent Life Corporation in favor of William P. Anderson, III.

10.10* Agreement of Cancellation and Release, dated as of March 10, 1999, between Intelligent Life Corporation and William P. Anderson, III.

10.11* Incentive Stock Option Grant Agreement, dated as of March 10, 1999, between Intelligent Life Corporation and William P. Anderson, III.


23.1 Consent of KPMG LLP

23.2 Consent of Thomas & Clough Co., P.A.

27 Financial Data Schedule

* Incorporated by reference to Exhibits filed in response to Item 16(a), "Exhibits" of the Company's Registration Statement on Form S-1 (File No. 333-74291) declared effective on May 13, 1999.

SIGNATURES

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

INTELLIGENT LIFE CORPORATION

By: /s/ William P. Anderson, III
William P. Anderson, III
President and Chief Executive Officer (Principal Executive Officer) and Director

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 in the capacities and on the dates indicated.

Signature        Title        Date
/s/ William P. Anderson, III  President, Chief Executive Officer; Director (Principal Executive Officer)  July 9, 1999
William P. Anderson, III

/s/ Peter W. Minford  Senior Vice President - Administration and Chief Financial Officer  July 9, 1999
Peter W. Minford

/s/ Robert J. DeFranco  Vice President-Finance and Chief Accounting Officer  July 9, 1999
Robert J. DeFranco

/s/ Bruns H. Grayson  Director  July 9, 1999
Bruns H. Grayson

/s/ Peter C. Morse  Director  July 9, 1999
Peter C. Morse

/s/ Robert P. O'Block  Director  July 9, 1999
Robert P. O'Block

/s/ Randall E. Poliner  Director  July 9, 1999
Randall E. Poliner
The Board of Directors and Stockholders
Intelligent Life Corporation:


KPMG LLP
Atlanta, Georgia
July 9, 1999
The Board of Directors and Stockholders
Intelligent Life Corporation:

We consent to incorporation by reference in the registration statement (No. 333-74291) on Form S-1 of Intelligent Life Corporation of our report dated July 23, 1998, relating to the balance sheet of Intelligent Life Corporation as of June 30, 1997, and the related statements of operations, redeemable stock and stockholders' equity (deficit), and cash flows for the two years then ended, which report appears in the December 31, 1998, transition report on Form 10-K of Intelligent Life Corporation.

Thomas & Clough Co., P.A.

Palm Beach, Florida
July 9, 1999
<table>
<thead>
<tr>
<th><strong>PERIOD-TYPE</strong></th>
<th>6-MOS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FISCAL-YEAR-END</strong></td>
<td>DEC-31-1998</td>
</tr>
<tr>
<td><strong>PERIOD-START</strong></td>
<td>JUL-01-1998</td>
</tr>
<tr>
<td><strong>PERIOD-END</strong></td>
<td>DEC-31-1998</td>
</tr>
<tr>
<td><strong>CASH</strong></td>
<td>1,633,100</td>
</tr>
<tr>
<td><strong>SECURITIES</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>RECEIVABLES</strong></td>
<td>563,383</td>
</tr>
<tr>
<td><strong>ALLOWANCES</strong></td>
<td>(24,847)</td>
</tr>
<tr>
<td><strong>INVENTORY</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>CURRENT-ASSETS</strong></td>
<td>2,281,124</td>
</tr>
<tr>
<td><strong>PP&amp;E</strong></td>
<td>1,153,133</td>
</tr>
<tr>
<td><strong>DEPRECIATION</strong></td>
<td>(339,474)</td>
</tr>
<tr>
<td><strong>TOTAL-ASSETS</strong></td>
<td>3,099,352</td>
</tr>
<tr>
<td><strong>CURRENT-LIABILITIES</strong></td>
<td>1,622,944</td>
</tr>
<tr>
<td><strong>BONDS</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>PREFERRED-MANDATORY</strong></td>
<td>12,198,303</td>
</tr>
<tr>
<td><strong>PREFERRED</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>COMMON</strong></td>
<td>40,532</td>
</tr>
<tr>
<td><strong>OTHER-SE</strong></td>
<td>(11,025,436)</td>
</tr>
<tr>
<td><strong>TOTAL-LIABILITY-AND-EQUITY</strong></td>
<td>3,099,352</td>
</tr>
<tr>
<td><strong>SALES</strong></td>
<td>3,469,191</td>
</tr>
<tr>
<td><strong>TOTAL-REVENUES</strong></td>
<td>3,469,191</td>
</tr>
<tr>
<td><strong>CGS</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL-COSTS</strong></td>
<td>5,551,976</td>
</tr>
<tr>
<td><strong>OTHER-EXPENSES</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>LOSS-PROVISION</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>INTEREST-EXPENSE</strong></td>
<td>12,433</td>
</tr>
<tr>
<td><strong>INCOME-PRETAX</strong></td>
<td>(2,095,218)</td>
</tr>
<tr>
<td><strong>INCOME-TAX</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>INCOME-CONTINUING</strong></td>
<td>(2,095,218)</td>
</tr>
<tr>
<td><strong>DISCONTINUED</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>EXTRAORDINARY</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>CHANGES</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>NET-INCOME</strong></td>
<td>(2,095,218)</td>
</tr>
<tr>
<td><strong>EPS-BASIC</strong></td>
<td>(1.63)</td>
</tr>
<tr>
<td><strong>EPS-DILUTED</strong></td>
<td>(1.63)</td>
</tr>
</tbody>
</table>