

STOCKGROUP INFORMATION SYSTEMS INC  
Form SB-2/A  
February 05, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON February 5, 2004

REGISTRATION NO. 333-107567

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549  
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**PRE-EFFECTIVE AMENDMENT NO. 4 TO**

**FORM SB-2**

**REGISTRATION STATEMENT**

UNDER THE SECURITIES ACT OF 1933  
-----

STOCKGROUP INFORMATION SYSTEMS INC.

(Exact Name of Registrant as Specified in Its Charter)

|   |  |  |
|---|--|--|
| COLORADO  | 6282   | 84-1379282                                 |
| (State or jurisdiction of<br>incorporation or organization) | (Primary Standard Industrial<br>Classification Code) | (I.R.S. Employer<br>Identification Number) |

SUITE 500 - 750 WEST PENDER STREET

VANCOUVER, BRITISH COLUMBIA, CANADA V6C 2T7 (604) 331-0995

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

DEVLIN JENSEN

BARRISTERS AND SOLICITORS

2550 - 555 WEST HASTINGS STREET

VANCOUVER, BC, CANADA V6B 4N5 (604) 684-2550

(Name, Address, Including Zip Code, and Telephone Number,

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Including Area Code, of Agent for Service)

-----  
 APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after this registration statement becomes effective.  
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If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box.

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## CALCULATION OF REGISTRATION FEE

| Description of Securities (1)  | Number of Shares | Maximum Offering Price Per Share (2) | Aggregate Offering Price | Amount of Registration Fee |
|--|------------------|--------------------------------------|--------------------------|----------------------------|
| Common shares being offered by selling security holders, originally acquired in a private placement December 31, 2002          | 3,403,750        | \$0.28                               | \$953,050                | \$87.68                    |
| Common shares underlying warrants, originally acquired in a private placement December 31, 2002                                | 1,701,875        | \$0.28                               | \$476,525                | \$43.84                    |
| Common shares underlying agent's warrants, originally acquired in a private placement December 31, 2002                        | 150,000          | \$0.28                               | \$42,000                 | \$3.86                     |
| Common shares being offered by selling security holders, originally acquired in a short form offering June 4 and July 16, 2003 | 3,742,800        | \$0.28                               | \$1,047,984              | \$96.41                    |
| Common shares underlying warrants issued, originally acquired in a short form offering June 4 and July 16, 2003                | 1,871,400        | \$0.28                               | \$523,992                | \$48.21                    |
| Common shares underlying agent options, originally acquired in a short form offering June 4 and July 16, 2003.                 | 374,280          | \$0.28                               | \$104,798                | \$9.64                     |
| Common shares underlying warrants underlying agent options, originally acquired  |                  |                                      |                          |                            |

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in a short form offering June 4 and July 16, 2003. 187,140 \$0.28 \$52,399 \$4.82

Totals 11,431,245 \$3,200,749 \$294.46 (3)

1. All securities being registered are common shares, no par value
2. Calculated in accordance with Rule 457(c) under the Securities Act of 1933, solely for the purpose of calculating the registration fee. In all cases we have used the average of the bid and ask prices for SWEB as quoted on the OTCBB on January 22, 2004.
3. We paid \$337.51 in registration fee previously in a filing dated August 1, 2003 for the same securities, therefore, no fee is currently payable.

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

STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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### **PROSPECTUS**

Subject to completion, dated February 5, 2004

THE INFORMATION CONTAINED IN THIS PROSPECTUS IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

#### **STOCKGROUP INFORMATION SYSTEMS INC.**

7,146,550 shares of common stock to be sold by certain selling security holders

4,284,695 shares of common stock issuable upon the exercise of outstanding warrants and agent options to be sold by certain selling security holders

This prospectus relates to the offer and sale of 7,146,550 shares of our common stock and 4,284,695 shares of our common stock issuable upon the exercise of outstanding warrants and agent options, by certain selling security holders. The selling security holders will offer and sell their shares of outstanding common stock and shares of common stock underlying outstanding warrants at prevailing market prices or at privately negotiated prices.

The shares will become tradable on the effective date of this prospectus. We will receive no proceeds from sales of shares by the selling security holders, other than proceeds, if any, from the exercise of the warrants and agent options. Our common stock is listed on the O-T-C Bulletin Board under the symbol "SWEB" and on the TSX Venture Exchange under the symbol "SWB." On January 23, 2004, the closing price of our common stock was \$0.28 per share on the OTCBB.

See "Risk Factors" beginning on page 9 for a discussion of material issues to consider before purchasing our common stock.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY

REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is February 5, 2004

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## SUMMARY INFORMATION AND RISK FACTORS

### PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. BECAUSE IT IS A SUMMARY, IT DOES NOT CONTAIN ALL OF THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE

INVESTING IN OUR COMMON STOCK. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, INCLUDING THE "RISK FACTORS" AND OUR FINANCIAL STATEMENTS AND RELATED NOTES APPEARING ELSEWHERE IN THIS PROSPECTUS, TO UNDERSTAND THIS OFFERING FULLY. References herein to "we", "us", "our", "Company" or "Stockgroup" refer to Stockgroup Information Systems Inc. and its subsidiaries.

#### Company Overview

Stockgroup is a financial media and technology company which provides a wide range of financial information services including Financial Software and Content Systems, and Public Company Disclosure and Awareness Products.

We were incorporated under the laws of the State of Colorado in 1994 and have a December 31st financial year end.

In addition to our corporate headquarters at Suite 500 - 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7, we have offices in Toronto, Ontario. Our telephone number at our corporate head office is (604) 331-0995.

A full description of our company may be found elsewhere in this prospectus under the heading "Business".

#### Selling Security Holders

This prospectus relates to the registration for resale of 7,146,550 shares of our common stock and 4,284,695 shares of our common stock issuable upon the exercise of outstanding warrants and agent options, by certain selling security holders. The selling security holders will offer and sell their shares of outstanding common stock and shares of common stock underlying outstanding warrants at prevailing market prices or privately negotiated prices. We will not receive any proceeds from the sale of the securities by the selling security holders, other than through the exercise, if any, of their outstanding warrants.

#### Other Information

Common stock outstanding prior to the offering: 32,498,721 shares. This number does not include shares reserved for issuance upon the exercise of outstanding stock options or warrants.

Common stock offered by selling Security holders: 11,431,245 shares. This number assumes the exercise of all outstanding warrants to purchase in aggregate 4,284,695 shares of our common stock.

Common stock to be outstanding after the offering: 36,783,416 shares. This number assumes the exercise of all

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outstanding warrants being offered by the selling security holders.

Net proceeds: We will not receive any proceeds from the sale of the securities by the selling security holders.

Trading Symbols: OTCBB: "SWEB"  
 TSX Venture Exchange: "SWB"

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## SUMMARY FINANCIAL INFORMATION

Set forth below are summary statements of operations data for the three month and nine month periods ended September 30, 2003 and 2002 and years ended December 31, 2002 and 2001, and summary balance sheet data as of September 30, 2003, December 31, 2002 and December 31, 2001. This information should be read in conjunction with our quarterly consolidated financial statements for the quarters ended September 30, 2003 and our annual consolidated financial statements for the years ended December 31, 2002 and 2001 and notes thereto and Management's Discussion and Analysis, appearing elsewhere in this prospectus.

1 On January 28, May 12, and May 28, 2003 the holders of our 8% convertible notes converted their principal balance into common shares at a discounted conversion rate, which produced an expense on the induced conversion and accelerated the accretion of the unamortized debt discount, for a total non-cash interest expense of \$860,351.

2 The gain on restructuring of convertible notes arose in February 2002. The note holders agreed to waive accrued interest of \$315,000 and prepayment premiums of \$288,600, and to make the notes interest free until December 31, 2003. The interest free period was a benefit to us and produced a gain of \$237,764. As well, the removal of the discount-to-market conversion calculation produced a benefit to us called a "repurchase of beneficial conversion feature," of \$247,222. A full description of this restructuring may be found in Note 7 to the 2002 annual financial statements found elsewhere in this prospectus.

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### STATEMENT OF OPERATIONS DATA:

|                             | Three Months Ended  |                     | Nine Months Ended   |                     | Years Ended        |                     |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
|                             | September 30        |                     | September 30        |                     | December 31        |                     |
|                             | 2003                | 2002                | 2003                | 2002                | 2002               | 2001                |
| <b>REVENUE</b>              |                     |                     |                     |                     |                    |                     |
| Revenues                    | \$ 745,801          | \$ 563,481          | \$ 2,036,044        | \$ 1,413,425        | \$964,699          | \$ 2,857,151        |
| Cost of revenues            | 150,529             | 222,129             | 484,215             | 555,635             | 706,911            | 1,045,326           |
| <b>Gross profit</b>         | <b>\$ 595,272</b>   | <b>\$ 341,352</b>   | <b>1,551,829</b>    | <b>857,790</b>      | <b>\$257,788</b>   | <b>\$ 1,811,825</b> |
| <b>EXPENSES</b>             |                     |                     |                     |                     |                    |                     |
| Sales and marketing         | \$ 220,877          | \$ 135,930          | \$ 545,692          | \$ 365,441          | \$475,038          | \$ 466,954          |
| General and administrative  | 640,018             | 458,001             | 1,751,807           | 1,272,226           | 1,790,848          | 2,018,102           |
| <b>Total expenses</b>       | <b>\$ 860,895</b>   | <b>\$ 593,931</b>   | <b>\$ 2,297,499</b> | <b>\$ 1,637,667</b> | <b>\$265,886</b>   | <b>\$ 2,485,056</b> |
| <b>Loss from operations</b> | <b>\$ (265,623)</b> | <b>\$ (252,579)</b> | <b>\$ (745,670)</b> | <b>\$ (779,877)</b> | <b>(1,008,098)</b> | <b>\$ (673,231)</b> |

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|   |         |          |           |           |           |           |
|---|---------|----------|-----------|-----------|-----------|-----------|
| Interest income   | 134     | 19       | 134       | 187       | 195       | 4,020     |
| Interest expense ordinary                               | (8,803) | (8,603)  | (33,450)  | (18,485)  | (39,170)  | (24,170)  |
| Interest on 8% convertible notes <sup>1</sup>           | -       | (33,966) | (860,351) | (86,296)  | (120,262) | (196,818) |
| Interest on 3% convertible debenture                    | -       | -        | -         | (160,209) | (160,209) | (375,109) |
| Gain (loss) on warrants liability                       | -       | -        | -         | (55,000)  | (55,000)  | 242,000   |
| Gain on restructuring of convertible notes <sup>2</sup> | -       | -        | -         | 1,088,586 | 1,088,586 | -         |
| Gain on convertible note redemption                     | -       | -        | -         | -         | -         | 58,701    |
| Other income (expense)                                  | (1,604) | (15,307) | 1,521     | (13,028)  | (12,719)  | 9,509     |

Loss before effect of

|   |    |           |    |           |    |             |    |          |            |         |           |
|---|----|-----------|----|-----------|----|-------------|----|----------|------------|---------|-----------|
| cumulative change in accounting principle           | \$ | (275,896) | \$ | (310,436) | \$ | (1,637,817) | \$ | (24,122) | (\$06,677) | \$      | (955,098) |
| Cumulative effect of change in accounting principle | -  | -         | -  | -         | -  | -           | -  | -        | -          | 413,546 |           |

|          |    |           |    |           |    |             |    |          |            |    |           |
|----------|----|-----------|----|-----------|----|-------------|----|----------|------------|----|-----------|
| Net loss | \$ | (275,896) | \$ | (310,436) | \$ | (1,637,817) | \$ | (24,122) | (\$06,677) | \$ | (541,552) |
|----------|----|-----------|----|-----------|----|-------------|----|----------|------------|----|-----------|

Basic and diluted loss per share:

Net loss before cumulative change in

|   |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|
| accounting principle                                | (0.01) | (0.02) | (0.07) | (0.00) | (0.02) | (0.10) |
| Cumulative effect of change in accounting principle | -      | -      | -      | -      | -      | 0.04   |

|          |        |        |        |        |        |        |
|----------|--------|--------|--------|--------|--------|--------|
| Net loss | (0.01) | (0.02) | (0.07) | (0.00) | (0.02) | (0.06) |
|----------|--------|--------|--------|--------|--------|--------|

BALANCE SHEET DATA as at:

September 30, 2003

December 31, 2002

December 31, 2001

|   |    |           |    |             |    |             |
|---|----|-----------|----|-------------|----|-------------|
| Total assets                            | \$ | 1,676,969 | \$ | 1,451,626   | \$ | 723,690     |
| Total liabilities                       |    | 737,695   |    | 2,702,443   |    | 3,467,292   |
| Total shareholders' equity (deficiency) |    | 501,440   |    | (1,250,817) |    | (2,743,602) |

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RISK FACTORS

The following factors should be considered carefully in evaluating Stockgroup and its business.

*Our limited operating history makes it difficult for you to judge our prospects.*

We have a limited operating history upon which an evaluation of our current business and prospects can be based. We have reported losses for each fiscal year since we became a public company. You should consider any purchase of our shares in light of the risks, expenses and problems frequently encountered by all companies in the early stages of its corporate development, such as lack of capital, difficulty attracting high quality personnel, lack of market exposure, and uncertainty about the viability of our business plan.

*Liquidity and capital resources are uncertain.*

Our cash used in operations for the first nine months of 2003 was \$720,167, our net losses for the same period were \$1,637,817, and our accumulated deficit at September 30, 2003 was \$15,079,199.

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You should be cautioned that there can be no assurance that revenue, margins, and profitability will increase. We have \$58,905 of capital lease obligations due within the next 12 months. There can be no assurance that we will be successful in raising a sufficient amount of additional capital or in internally generating a sufficient amount of capital to meet our operational requirements.

*Our ability to continue as a going concern is uncertain*

In view of our liquidity conditions described above, our ability to continue as a going concern is uncertain and dependent upon achieving a profitable level of operations and, if necessary, on our ability to obtain necessary financing to fund ongoing operations. As well, our ability to absorb a large unforeseen expenditure or other disaster is limited by our current lack of capital resources. Our auditors' report and Note 1 to our 2002 consolidated financial statements also discuss substantial doubt about our ability to continue as a going concern.

*Computer equipment problems and failures could adversely affect our business.*

Problems or failures in Internet-related equipment, including file servers, computers and software, could result in interruptions or slower response times for our Web-based services, which could reduce the attractiveness of our Web site, financial tools or investor relations services to advertisers and users. Should such interruptions continue for an extended period we could lose significant business and reputation. Equipment problems and failures could result from a number of causes, including an increase in the number of users of our Web site, computer viruses, outside programmers penetrating and disrupting software systems, human error, fires, floods, power and telecommunications failures and internal breakdowns. In addition, any disruption in Internet access and data feeds provided by third parties could have a material and adverse effect on our businesses. Our limited resources do not currently permit us to maintain an off-site disaster recovery facility. As a result, if we experience a major disaster such as a fire, theft, or intentional destruction of our computer equipment, it could have catastrophic results for our business.

*We may not be able to compete successfully against current and future competitors.*

We currently compete with several other companies offering similar services. Many of these companies have significantly greater financial resources, name recognition, and technical and marketing resources, and virtually all of them are seeking to improve their technology, products and services. We can not assure you that we will have the financial resources or the technological expertise to successfully meet this competition.

*We are significantly influenced by our officers, directors and entities affiliated with them.*

In the aggregate, ownership of Stockgroup shares by management represents approximately 17% of our present issued and outstanding shares of common stock. These shareholders, if acting together, will be able to significantly influence all matters requiring approval by shareholders, including the election of directors and the approval of mergers or other business combinations.

*We may be unable to protect the intellectual property rights upon which our business relies.*

We have or may pursue certain trademarks, and we have brand names, Internet domain names, Web site designs, programs and certain subscriber lists which make up the intellectual property we view as important to our business. It may be possible for a third party to copy or otherwise obtain or use our intellectual

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property without authorization or to develop similar technology independently. There can also be no assurance that our business activities will not infringe upon the proprietary rights of others, nor that other parties will not assert infringement claims against us, including claims that by, directly or indirectly, providing hyperlink text links to Web sites operated by third parties, we have infringed upon the proprietary rights of other third parties. Due to the global nature of the Internet, there can be no assurance that obtaining trademark protection in the United States will prevent infringements on our trademarks by parties in other countries. We have not sought or obtained any patents on our proprietary software and data processing applications.

*We may be held liable for online information or services provided by us or third parties.*

Because materials may be downloaded by the public on Internet services offered by us or the Internet access providers with whom we have relationships, and because third party information may be posted by third parties on our Web site through discussion forums and otherwise, there is the potential that claims will be made against us for defamation, negligence, copyright or trademark infringement or other theories. Such claims have been brought against providers of online services in the past. We have been named in two lawsuits in which defamation is alleged to have occurred on our Internet discussion forum called Bull Boards. The imposition of liability based on such claims could materially and adversely affect us.

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Even to the extent such claims do not result in liability, we could incur significant costs in investigating and defending against such claims. The imposition on us of potential liability for information or services carried on or disseminated through our Web site could require implementation of measures to reduce exposure to such liability, which may require the expenditure of substantial resources and limit the attractiveness of services to members and users.

We post news clippings from other news Web sites on the Stockhouse and SmallCapCenter Web sites with links to the source site. Most publishers currently encourage this practice, although certain publishers have requested that we cease posting their stories. We have complied with their request in each case. To the extent that a large majority of news publishers prohibit posting of their stories on our Web sites or begin charging royalty fees for such stories, our Web site traffic could decrease or our costs could increase, thereby adversely impacting our profitability.

Our general liability insurance will not cover all potential claims to which we are exposed or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, results of operations and financial condition.

*Trading of our stock may be restricted by the SEC's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.*

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability

of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

*Future issuances of shares may adversely impact the value of our stock.*

We may attempt to raise additional capital through the sale of common stock in the near future. Future issuances of common stock may dilute your position in us.

*Our stock price is vulnerable to buying and selling pressures*

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As there is a limited market for our common stock, there may be considerable volatility in our stock price due to selling and buying pressures. Future sales of shares by our existing or future shareholders could cause the market price of our common stock to decline. There are currently 20,842,696 outstanding shares of our common stock which may be traded without restriction in any market. In addition, there are 8,520,300 outstanding shares which may be traded outside the United States and which will become free trading in the United States upon effectiveness of this registration statement.

There are 2,326,000 shares underlying stock options which are exercisable within 60 days of this prospectus, and which may be traded without restriction in any market. Of these options, 1,768,600 of them have exercise prices at or below the market price as of the date of this prospectus.

There are also 3,514,638 shares underlying warrants which are exercisable as of the date of this prospectus, of which 800,000 are covered by a registration statement filed July 7, 2003 and accordingly are eligible for sale by the holders thereof in the public market subject to restrictions included in our agreements with the holders. Of the aforementioned 800,000 shares, 500,000 underlie warrants which have exercise prices at or below the market price as of the date of this prospectus.

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*Our board of directors may authorize and issue preferred shares*

Our board of directors has the authority to issue preferred shares with rights, preferences and/or privileges senior to or on parity with the rights of the holders of common stock. The potential consequences to our investors include a loss of perceived value of the stock in the market and a loss of future earnings and dividends, if and when dividends are declared.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements." In some cases you can identify forward-looking statements by terminology such as "may", "will", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of such terms and other comparable terminology.

These forward-looking statements include, without limitation, statements about:

- our market opportunity;
- our strategies;
- competition;
- expected activities and expenditures as we pursue our business plan; and
- the adequacy of our available cash resources.

These statements appear in a number of places in this registration statement and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) trends affecting our financial condition or results of operations, (ii) our business and growth strategies, (iii) the Internet and Internet commerce and (iv) our financing plans. Although we believe that the expectations reflected in the forward-looking statement are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

The accompanying information contained in this prospectus including, without limitation, the information set forth under the headings "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Business" identify important factors that could adversely affect actual results and performance. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statement.

### USE OF PROCEEDS

We will not receive any proceeds from the sale of the securities by the selling security holders.

### SELLING SECURITY HOLDERS

This prospectus relates to the offering by the selling security holders of shares of our common stock acquired by them in an equity investment and exercise of warrants that the selling security holders received in certain private placements. 11,431,245 shares of common stock offered by this prospectus are being offered by the selling security holders for their own accounts.

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#### A. 28 SECURITY HOLDERS PARTICIPATING IN THE DECEMBER 31, 2002 PRIVATE PLACEMENT

We are registering the resale of 5,255,625 shares for this group of security holders.

555625 BC Ltd., APL Securities, C. Channing Buckland, Carpe Diem Investments Ltd., Isabel Chiarantano, James McAusland, Jasna Frakes, Jeana Traviss, Kimberly D. Hodal, Madeline McAusland, Neil Linder, Ronald Blusson, Rudy Lunter, Shane Myers, 828820 Alberta Ltd, Ming Capital Enterprises, Turf Holding, Dorothy Morrison, Sanovest Holdings Ltd., Bank Sal Oppenheim jr. cie, Belzberg Financial Market & News Inc., Clive de Larrabeiti, Darcy A. Higgs, Panorama Public and Industrial Communications Ltd., Konstantinos Tsirigotis, Les Entreprises de Richard Atkinson Ltee., Peter Krag Hansen and Thomas O'Neill (collectively, the "selling security holders") purchased an aggregate 3,403,750 units, each unit consisting of one common share and one non-transferable warrant, at a price of \$0.16 per unit for total gross proceeds of \$544,600 from us in a private placement transaction which completed on December 31, 2002. Each two warrants entitle the holder to acquire one common share at an exercise price of \$0.22 until

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December 31, 2003. We also issued 150,000 agent's warrants to Bolder Investment Partners as a placement fee in the transaction. Each one agent's warrant is exercisable for one common share at \$0.16.

As of the date of this prospectus 1,223,750 common shares had been issued pursuant to the exercise of warrants, and 150,000 common shares had been exercised pursuant to the exercise of agent's warrants. The remaining warrants have expired. We relied on an exemption under Regulation S for the issuance of the shares underlying the warrants.

The following table sets forth information with respect to the common stock beneficially owned by the selling security holders as of the date of this prospectus. Beneficial ownership is determined in accordance with Securities and Exchange Commission rules and includes voting or investment power with respect to the securities.

The percentage interest of each selling security holder is based on the beneficial ownership of that selling security holder divided by the sum of the current outstanding shares of common stock plus the additional shares, if any, which would be issued to that selling security holder (but not any other selling security holder) when exercising warrants in the future.

To our knowledge, each of the selling security holders has sole voting and investment power over the shares of common stock listed in the table below. No selling security holder has had a material relationship with us during the last three years, other than as an owner of our common stock or other securities. To our knowledge, none of these investors is affiliated with the others.

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| Name                                     | Number of<br>Shares<br>Beneficially<br>Owned | Number of<br>Shares Offered<br>Herein | Number of<br>Shares<br>Underlying<br>Warrants<br>Offered Herein | Percentage of<br>Stock Owned<br>Prior To the<br>Offering | Amount and<br>Percentage of<br>Stock Owned<br>After the<br>Offering |
|--|--|---------------------------------------|---|--|---|
| 555625 BC Ltd.                           | 75,000                                       | 50,000                                | 25,000  | *  | 0/0%  |
| APL Securities                           | 112,500                                      | 75,000                                | 37,500  | *  | 0/0%  |
| C. Channing Buckland                     | 354,375                                      | 236,250                               | 118,125   | 1.09 %   | 0/0%  |
| Carpe Diem Investments Ltd.              | 93,750                                       | 62,500                                | 31,250  | *  | 0/0%  |
| Isabel Chiarantano                       | 46,875                                       | 31,250                                | 15,625  | *  | 0/0%  |
| James McAusland                          | 45,000                                       | 30,000                                | 15,000  | *  | 0/0%  |
| Jasna Frakes                             | 37,500                                       | 25,000                                | 12,500  | *  | 0/0%  |
| Jeana Traviss                            | 90,000                                       | 60,000                                | 30,000  | *  | 0/0%  |
| Kimberly D. Hodal                        | 90,000                                       | 60,000                                | 30,000  | *  | 0/0%  |
| Madeline McAusland                       | 45,000                                       | 30,000                                | 15,000  | *  | 0/0%  |
| Neil Linder                              | 150,000                                      | 100,000                               | 50,000  | *  | 0/0%  |
| Ronald Blusson                           | 90,000                                       | 60,000                                | 30,000  | *  | 0/0%  |
| Rudy Lunter                              | 45,000                                       | 30,000                                | 15,000  | *  | 0/0%  |
| Shane Myers                              | 225,000                                      | 150,000                               | 75,000  | *  | 0/0%  |
| 828820 Alberta Ltd                       | 468,750                                      | 312,500                               | 156,250   | 1.44 %   | 0/0%  |
| Ming Capital Enterprises                 | 712,500                                      | 475,000                               | 237,500   | 2.18 %   | 0/0%  |
| Turf Holding                             | 750,000                                      | 500,000                               | 250,000   | 2.29 %   | 0/0%  |
| Dorothy Morrison                         | 150,000                                      | 100,000                               | 50,000  | *  | 0/0%  |
| Sanovest Holdings Ltd.                   | 468,750                                      | 312,500                               | 156,250   | 1.44 %   | 0/0%  |
| Bank Sal Oppenheim jr. ncie              | 121,875                                      | 81,250                                | 40,625  | *  | 0/0%  |
| Belzberg Financial Market &<br>News Inc. | 300,000                                      | 200,000                               | 100,000   | *  | 0/0%  |

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|  |         |         |         |   |      |
|--|---------|---------|---------|---|------|
| Clive de Larrabeiti                                | 150,000 | 100,000 | 50,000  | * | 0/0% |
| Darcy A. Higgs                                     | 93,750  | 62,500  | 31,250  | * | 0/0% |
| Panorama Public and Industrial Communications Ltd. | 150,000 | 100,000 | 50,000  | * | 0/0% |
| Konstantinos Tsirigotis                            | 15,000  | 10,000  | 5,000   | * | 0/0% |
| Les Entreprises de Richard Atkinson Ltee           | 75,000  | 50,000  | 25,000  | * | 0/0% |
| Peter Krag Hansen                                  | 75,000  | 50,000  | 25,000  | * | 0/0% |
| Thomas O'Neill                                     | 75,000  | 50,000  | 25,000  | * | 0/0% |
| Bolder Investment Partners Ltd.                    | 150,000 | 0       | 150,000 | * | 0/0% |

TOTALS

\* - Less than 1%

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B. 215 SECURITY HOLDERS PARTICIPATING IN THE APRIL 2003 SHORT FORM OFFERING

We are registering the resale of 6,175,620 shares for this group of security holders.

The list of security holders in the table below purchased an aggregate of 3,742,800 units, each unit consisting of one common share and one non-transferable warrant, at a price of C\$0.37 (US\$0.27) per unit, for total gross proceeds of C\$1,384,836 (US\$1,010,556), from us in a short form offering which completed in two parts on June 4, 2003 and July 16, 2003. Each two warrants entitle the holder to acquire one share of us at an exercise price of C\$0.75 (US\$0.55) for 12 months from the respective completion date. In addition, a group of agents led by First Associates Investments Inc. and including Bolder Investment Partners Ltd., Canaccord Capital Corp., Haywood Securities Inc., Penson Financial Services Canada, Wolverson Securities Ltd., and Union Securities Ltd. received an aggregate of 374,280 agent options, with each agent option entitling the holder to acquire one unit as described above for 24 months from the respective completion date at C\$0.37 (US\$0.27) per unit.

As of the date of this prospectus none of the warrants or agent options had been exercised. Upon exercise of the warrants, we plan to rely on an exemption under Regulation S for the issuance of the shares underlying the warrants.

The following table sets forth information with respect to the common stock beneficially owned by the selling security holders as of the date of this prospectus. Beneficial ownership is determined in accordance with Securities and Exchange Commission rules and includes voting or investment power with respect to the securities.

The percentage interest of each selling security holder is based on the beneficial ownership of that selling security holder divided by the sum of the current outstanding shares of common stock plus the additional shares, if any, which would be issued to that selling security holder (but not any other selling security holder) when exercising warrants in the future.

To our knowledge, each of the selling security holders has sole voting and investment power over the shares of common stock listed in the table below. No selling security holder has had a material relationship with us during the last three years, other than as an owner of our common stock or other securities. To our knowledge, none of these investors is affiliated with the others.

| Name | Number of Shares Beneficially Owned | Number of Shares Offered Herein | Number of Shares Underlying Warrants and Agent Options | Percentage of Stock Owned Prior To the Offering | Amount and Percentage of Stock Owned After the Offering |
|------|-------------------------------------|---------------------------------|--|---|---|
|------|-------------------------------------|---------------------------------|--|---|---|

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Offered Herein

|  |         |         |        |   |   |
|--|---------|---------|--------|---|---|
| Marc Melnic                                      | 15,000  | 10,000  | 5,000  | * | - |
| Robert Grapko                                    | 15,000  | 10,000  | 5,000  | * | - |
| Wendy Stang                                      | 15,000  | 10,000  | 5,000  | * | - |
| Mr Keith Pascoe-Price                            | 15,000  | 10,000  | 5,000  | * | - |
| Ms. Alice Linderman                              | 7,500   | 5,000   | 2,500  | * | - |
| Mike Svab  | 15,000  | 10,000  | 5,000  | * | - |
| Margaret Bosch                                   | 7,500   | 5,000   | 2,500  | * | - |
| Miss Raffelina Lamontagne                        | 7,500   | 5,000   | 2,500  | * | - |
| Wayne Young                                      | 30,000  | 20,000  | 10,000 | * | - |
| Guy Farebrother                                  | 30,000  | 20,000  | 10,000 | * | - |
| Roger Michaud                                    | 15,000  | 10,000  | 5,000  | * | - |
| Bob Pandelidis                                   | 3,000   | 2,000   | 1,000  | * | - |
| Ann Kostiuk                                      | 15,000  | 10,000  | 5,000  | * | - |
| Andy Kostiuk                                     | 15,000  | 10,000  | 5,000  | * | - |
| Denis Gosselin                                   | 1,500   | 1,000   | 500    | * | - |
| Mr. Mohammed Elsaghir                            | 30,000  | 20,000  | 10,000 | * | - |
| Ty Lopes   | 1,500   | 1,000   | 500    | * | - |
| Robin John Wilkinson                             | 75,000  | 50,000  | 25,000 | * | - |
| Ralph Wallace                                    | 30,000  | 20,000  | 10,000 | * | - |
| Colin Magee                                      | 4,500   | 3,000   | 1,500  | * | - |
| 940180 Alberta Limited                           | 15,000  | 10,000  | 5,000  | * | - |
| Kenneth Leong                                    | 15,000  | 10,000  | 5,000  | * | - |
| Mr. Ben J Murphy                                 | 3,750   | 2,500   | 1,250  | * | - |
| Cheryl Enright                                   | 1,500   | 1,000   | 500    | * | - |
| Karen Tomter                                     | 15,000  | 10,000  | 5,000  | * | - |
| Winsome Capital Inc                              | 52,500  | 35,000  | 17,500 | * | - |
| Balmon Holdings Ltd                              | 150,000 | 100,000 | 50,000 | * | - |
| Cibc World Markets Inc                           | 65,700  | 43,800  | 21,900 | * | - |
| Brian Schmidt                                    | 15,000  | 10,000  | 5,000  | * | - |
| Oriole Energy Eastern Ltd                        | 15,000  | 10,000  | 5,000  | * | - |
| Barry Slusarchuk                                 | 22,500  | 15,000  | 7,500  | * | - |
| Gary L Gray Pro Corp.                            | 30,000  | 20,000  | 10,000 | * | - |
| Peter-Paul Holdings                              | 150,000 | 100,000 | 50,000 | * | - |
| Steve Mulherin                                   | 45,000  | 30,000  | 15,000 | * | - |
| Ms. Jan Richard                                  | 22,500  | 15,000  | 7,500  | * | - |
| Mr. Peter Tse                                    | 7,500   | 5,000   | 2,500  | * | - |
| International Benefits<br>Management Corporation | 150,000 | 100,000 | 50,000 | * | - |
| Tony Smith                                       | 30,000  | 20,000  | 10,000 | * | - |
| Mr. Dean Bristow                                 | 30,000  | 20,000  | 10,000 | * | - |

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|  |        |        |        |   |   |
|--|--------|--------|--------|---|---|
| Michelle L Colley  | 3,000  | 2,000  | 1,000  | * | - |
| Leo Verlaan  | 7,500  | 5,000  | 2,500  | * | - |
| Elizabeth Verlaan  | 7,500  | 5,000  | 2,500  | * | - |
| Mr. Steve Simonds  | 30,000 | 20,000 | 10,000 | * | - |
| Keith Rose   | 52,500 | 35,000 | 17,500 | * | - |
| Mr Raymond Pineo   | 43,500 | 29,000 | 14,500 | * | - |
| Sherry Sturko  | 4,500  | 3,000  | 1,500  | * | - |
| Mr John Robert Conaty And/Or<br>Mrs Louise Conaty Jtwros | 15,000 | 10,000 | 5,000  | * | - |
| Warren Seaman  | 3,750  | 2,500  | 1,250  | * | - |
| Melissa M Hart   | 22,500 | 15,000 | 7,500  | * | - |
| Tom Hart   | 22,500 | 15,000 | 7,500  | * | - |

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|                                       |         |         |        |   |   |
|---------------------------------------|---------|---------|--------|---|---|
| Mr Gord Berkhold                      | 7,500   | 5,000   | 2,500  | * | - |
| Andrew Watts                          | 3,000   | 2,000   | 1,000  | * | - |
| Jenifer Gray                          | 7,500   | 5,000   | 2,500  | * | - |
| Heather Hankins-Bruce                 | 7,500   | 5,000   | 2,500  | * | - |
| Time Frame Construction Ltd           | 30,000  | 20,000  | 10,000 | * | - |
| Mr. Robert J Watts                    | 9,000   | 6,000   | 3,000  | * | - |
| Mr Arthur Borzel                      | 15,000  | 10,000  | 5,000  | * | - |
| Mr. Mark Salmon                       | 22,500  | 15,000  | 7,500  | * | - |
| Jeff Wright                           | 6,000   | 4,000   | 2,000  | * | - |
| Mr. Kevin Clarkson                    | 1,500   | 1,000   | 500    | * | - |
| Yue Tim Pak                           | 7,500   | 5,000   | 2,500  | * | - |
| Aldo Marangoni For Jesse<br>Marangoni | 3,000   | 2,000   | 1,000  | * | - |
| Flo Ibsen And Barrie Ibsen<br>Jtwros  | 6,000   | 4,000   | 2,000  | * | - |
| Mr. Randal Wilson                     | 75,000  | 50,000  | 25,000 | * | - |
| Jack Howorko                          | 7,500   | 5,000   | 2,500  | * | - |
| Bill Brandsma                         | 6,000   | 4,000   | 2,000  | * | - |
| Galaxy Players Ltd                    | 37,500  | 25,000  | 12,500 | * | - |
| Rykel Resources Ltd                   | 22,500  | 15,000  | 7,500  | * | - |
| Mr. David Westlund                    | 30,000  | 20,000  | 10,000 | * | - |
| Gabina Herrmann                       | 1,500   | 1,000   | 500    | * | - |
| Tarik Elsaghir                        | 15,000  | 10,000  | 5,000  | * | - |
| Mr. Derrick Armstrong                 | 150,000 | 100,000 | 50,000 | * | - |

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|  |        |        |        |   |   |
|--|--------|--------|--------|---|---|
| Mr. Gary Lobb                            | 45,000 | 30,000 | 15,000 | * | - |
| Gary Dagnall                             | 30,000 | 20,000 | 10,000 | * | - |
| Mrs. Linda Dagnall                       | 82,500 | 55,000 | 27,500 | * | - |
| Mark Woods                               | 3,750  | 2,500  | 1,250  | * | - |
| Shannon L Lussier                        | 3,750  | 2,500  | 1,250  | * | - |
| Dean Giesbrecht                          | 15,000 | 10,000 | 5,000  | * | - |
| Mrs. Kari-Leigh Whitelaw                 | 15,000 | 10,000 | 5,000  | * | - |
| Brian Whitelaw                           | 22,500 | 15,000 | 7,500  | * | - |
| Mr. Wayne Cutforth                       | 15,000 | 10,000 | 5,000  | * | - |
| Mr Paul Chiasson                         | 7,500  | 5,000  | 2,500  | * | - |
| Melinda Chiasson                         | 7,500  | 5,000  | 2,500  | * | - |
| Bill Hamilton                            | 2,250  | 1,500  | 750    | * | - |
| Don Serwa                                | 15,000 | 10,000 | 5,000  | * | - |
| Todd Viollette                           | 42,000 | 28,000 | 14,000 | * | - |
| L Kristi Eshleman                        | 15,000 | 10,000 | 5,000  | * | - |
| Mr. Aldo Marangoni                       | 15,000 | 10,000 | 5,000  | * | - |
| Caribou Land Services Ltd                | 37,500 | 25,000 | 12,500 | * | - |
| Cal Gazdag                               | 37,500 | 25,000 | 12,500 | * | - |
| Hamish Pollard                           | 6,000  | 4,000  | 2,000  | * | - |
| Domenic Parrotta For Joey Parrotta       | 30,000 | 20,000 | 10,000 | * | - |
| 827119 Alberta Ltd                       | 30,000 | 20,000 | 10,000 | * | - |
| Roxana J Acheson                         | 15,000 | 10,000 | 5,000  | * | - |
| Mr. John Sobkowich                       | 9,000  | 6,000  | 3,000  | * | - |
| Denise Blinkal                           | 9,000  | 6,000  | 3,000  | * | - |
| Mr. Bruce Hrabchak                       | 3,000  | 2,000  | 1,000  | * | - |
| Nizar Devji                              | 7,500  | 5,000  | 2,500  | * | - |
| Sandy Tse                                | 25,500 | 17,000 | 8,500  | * | - |
| Stacy Provins                            | 12,000 | 8,000  | 4,000  | * | - |
| Aldo Marangoni For Jenna Maria Marangoni | 3,000  | 2,000  | 1,000  | * | - |
| Jason Perri                              | 7,500  | 5,000  | 2,500  | * | - |
| Candace Cooke                            | 7,500  | 5,000  | 2,500  | * | - |
| Mr. Gary Whelan                          | 7,500  | 5,000  | 2,500  | * | - |
| Gary Brownlee                            | 1,500  | 1,000  | 500    | * | - |
| Gary Brownlee For Steven Unsworth        | 3,000  | 2,000  | 1,000  | * | - |
| Rudy Witt                                | 15,000 | 10,000 | 5,000  | * | - |
| Mr Terry Sheepy                          | 3,750  | 2,500  | 1,250  | * | - |
| Mr. Jack Little                          | 15,000 | 10,000 | 5,000  | * | - |
| Mr. Richard Block                        | 15,000 | 10,000 | 5,000  | * | - |
| Gordon Jeffery                           | 45,000 | 30,000 | 15,000 | * | - |

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|                        |        |        |        |   |   |
|------------------------|--------|--------|--------|---|---|
| Mr Danny Rasmussen     | 22,500 | 15,000 | 7,500  | * | - |
| Bob Anderson           | 15,000 | 10,000 | 5,000  | * | - |
| Mr. John-Paul Trottier | 90,000 | 60,000 | 30,000 | * | - |
| Herb Pflughaupt        | 16,500 | 11,000 | 5,500  | * | - |
| Colleen Weeks          | 16,500 | 11,000 | 5,500  | * | - |
| Kirk Pflughaupt        | 15,000 | 10,000 | 5,000  | * | - |
| Mr. Bob Eakin          | 75,000 | 50,000 | 25,000 | * | - |

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|                                |        |        |        |   |   |
|--------------------------------|--------|--------|--------|---|---|
| James Belovich                 | 7,500  | 5,000  | 2,500  | * | - |
| Leroy N Hiller                 | 2,250  | 1,500  | 750    | * | - |
| Leroy Hiller For Jordan Hiller | 2,250  | 1,500  | 750    | * | - |
| Neil B Ramsay                  | 30,000 | 20,000 | 10,000 | * | - |

|  |        |        |        |   |   |
|--|--------|--------|--------|---|---|
| Neil Ramsay Professional Corporation                 | 30,000 | 20,000 | 10,000 | * | - |
| Paul Sabourin  | 45,000 | 30,000 | 15,000 | * | - |
| Mr. Alan Olinyk                                      | 30,000 | 20,000 | 10,000 | * | - |
| Mrs. Mary Panas                                      | 7,500  | 5,000  | 2,500  | * | - |
| Paul Vandergust                                      | 9,000  | 6,000  | 3,000  | * | - |
| Mr. Marc I Lozynsky                                  | 1,500  | 1,000  | 500    | * | - |
| Mr. Michael Marianicz                                | 7,500  | 5,000  | 2,500  | * | - |
| Mrs. Marlane Marianicz                               | 7,500  | 5,000  | 2,500  | * | - |
| Miss Lori Marianicz                                  | 15,000 | 10,000 | 5,000  | * | - |
| Mr. Alexander Meinzinger And Helen Meinzinger Jtwros | 15,000 | 10,000 | 5,000  | * | - |
| Maurice Walsh  | 15,000 | 10,000 | 5,000  | * | - |
| Maxine E Webb And Norman Webb Jtwros                 | 13,500 | 9,000  | 4,500  | * | - |
| Mr. Dale K Anderson                                  | 30,000 | 20,000 | 10,000 | * | - |
| Tony Wong  | 22,500 | 15,000 | 7,500  | * | - |
| Ms Laura Jean Mack                                   | 7,500  | 5,000  | 2,500  | * | - |
| Sharon Willcock                                      | 1,500  | 1,000  | 500    | * | - |
| Mr Robert Borzel                                     | 15,000 | 10,000 | 5,000  | * | - |
| Chris Blyth  | 7,500  | 5,000  | 2,500  | * | - |
| Barry Brown  | 30,000 | 20,000 | 10,000 | * | - |
| Vern Haberlack                                       | 30,000 | 20,000 | 10,000 | * | - |
| Serge Bonnet   | 15,000 | 10,000 | 5,000  | * | - |
| Mr. Leonard Henri Garon                              | 7,500  | 5,000  | 2,500  | * | - |
| Thurston Consulting Ltd                              | 30,000 | 20,000 | 10,000 | * | - |
| Igor Lozynsky  | 7,500  | 5,000  | 2,500  | * | - |

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|   |         |         |         |   |   |
|---|---------|---------|---------|---|---|
| Mr. John Ames   | 30,000  | 20,000  | 10,000  | * | - |
| Ash Mukherjee   | 7,500   | 5,000   | 2,500   | * | - |
| Gary Lynkowski And Denise<br>Lynkowski Jtwros           | 7,500   | 5,000   | 2,500   | * | - |
| Don Osbak   | 3,000   | 2,000   | 1,000   | * | - |
| Donna Gaidica   | 30,000  | 20,000  | 10,000  | * | - |
| Canaccord Capital Corp                                  | 312,000 | 208,000 | 104,000 | * | - |
| Donald Mcinnes  | 30,000  | 20,000  | 10,000  | * | - |
| Haywood Securities Inc                                  | 300,000 | 200,000 | 100,000 | * | - |
| Jurgen Wollschlager                                     | 15,000  | 10,000  | 5,000   | * | - |
| Hanwol Investments Ltd                                  | 37,500  | 25,000  | 12,500  | * | - |
| Randy Wold And Tina Wold<br>Jtwros                      | 15,000  | 10,000  | 5,000   | * | - |
| Mr. Patrick Stratton                                    | 75,000  | 50,000  | 25,000  | * | - |
| Mr. Vern Chipiuk  | 15,000  | 10,000  | 5,000   | * | - |
| Ruth Ferguson   | 15,000  | 10,000  | 5,000   | * | - |
| Mr Rick Draper  | 15,000  | 10,000  | 5,000   | * | - |
| Charlene Squire   | 15,000  | 10,000  | 5,000   | * | - |
| Mrs. Jacquie Danforth                                   | 3,000   | 2,000   | 1,000   | * | - |
| Sheryl Schlegel   | 15,000  | 10,000  | 5,000   | * | - |
| Karen Mawhinney   | 15,000  | 10,000  | 5,000   | * | - |
| George Kakouros   | 10,500  | 7,000   | 3,500   | * | - |
| Mr Andy Borzel  | 15,000  | 10,000  | 5,000   | * | - |
| Mr. Joe Stewart   | 30,000  | 20,000  | 10,000  | * | - |
| Scott Mackenzie   | 15,000  | 10,000  | 5,000   | * | - |
| Don Serwa   | 22,500  | 15,000  | 7,500   | * | - |
| Mr. Archibald Nesbitt                                   | 15,000  | 10,000  | 5,000   | * | - |
| Baljinder Garcha  | 8,100   | 5,400   | 2,700   | * | - |
| Nazir Mulji   | 4,200   | 2,800   | 1,400   | * | - |
| Rudolph & Margaretha<br>Zwamborn                        | 4,200   | 2,800   | 1,400   | * | - |
| Patrick O'brien   | 12,000  | 8,000   | 4,000   | * | - |
| Antonio Spadafora                                       | 10,500  | 7,000   | 3,500   | * | - |
| Inder Singh   | 3,600   | 2,400   | 1,200   | * | - |
| Harold Busat  | 12,000  | 8,000   | 4,000   | * | - |
| Darshan & Kewal Bains                                   | 4,200   | 2,800   | 1,400   | * | - |
| Leslie Orton  | 4,200   | 2,800   | 1,400   | * | - |
| Raymond Hill  | 15,000  | 10,000  | 5,000   | * | - |
| Mr Bernard De Souza                                     | 15,000  | 10,000  | 5,000   | * | - |
| Mrs Lucia De Souza And/Or Mr<br>Patrick De Souza Jtwros | 7,500   | 5,000   | 2,500   | * | - |

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|  |         |         |         |        |   |
|--|---------|---------|---------|--------|---|
| Delores Tam  | 51,000  | 34,000  | 17,000  | *      | - |
| Penson Financial Services In Trust For:Arthur Curley     | 15,000  | 10,000  | 5,000   | *      | - |
| Penson Financial Services In Trust For:Kenneth Mcfarland | 7,500   | 5,000   | 2,500   | *      | - |
| Kostas Konstantinou                                      | 15,000  | 10,000  | 5,000   | *      | - |
| Mr Jim Taylor  | 22,500  | 15,000  | 7,500   | *      | - |
| Cherie Anne &/Or Paul Chappelle                          | 7,500   | 5,000   | 2,500   | *      | - |
| Konstantinos Tsirigotis Itf Dimitrios                    | 15,000  | 10,000  | 5,000   | *      | - |
| Konstantinos Tsirigotis Itf Sophia                       | 15,000  | 10,000  | 5,000   | *      | - |
| Mr Matt Kuhn   | 54,000  | 36,000  | 18,000  | *      | - |
| Panagiota Mattheakis                                     | 15,000  | 10,000  | 5,000   | *      | - |
| Catherine A &/Or Walter Gagen                            | 15,000  | 10,000  | 5,000   | *      | - |
| Penson Financial Services In Trust For:Beverly Cherry    | 75,000  | 50,000  | 25,000  | *      | - |
| Mr Thomas O'neill  | 37,500  | 25,000  | 12,500  | *      | - |
| Mr. Doug Johnson   | 150,000 | 100,000 | 50,000  | *      | - |
| Nikolaos &/Or Athina Kilindris                           | 15,000  | 10,000  | 5,000   | *      | - |
| Wolverton Securities Ltd. Itf Kinder S Deo               | 15,000  | 10,000  | 5,000   | *      | - |
| Wolverton Securities Ltd. Itf Chrisovalantis D Gionis    | 15,000  | 10,000  | 5,000   | *      | - |
| Wolverton Securities Ltd. Itf Caroline K Huen            | 15,000  | 10,000  | 5,000   | *      | - |
| Wolverton Securities Ltd. Itf Antonios Tsigounis         | 15,000  | 10,000  | 5,000   | *      | - |
| Wolverton Securities Ltd. Itf Joanna Kotsiris            | 15,000  | 10,000  | 5,000   | *      | - |
| Wolverton Securities Ltd. Itf Konstantinos Tsirigotis    | 15,000  | 10,000  | 5,000   | *      | - |
| Penson Financial Services In Trust For:Peter Stratford   | 4,500   | 3,000   | 1,500   | *      | - |
| Penson Financial Services In Trust For:Peter Stratford   | 3,000   | 2,000   | 1,000   | *      | - |
| Richard Bullock  | 600,000 | 400,000 | 200,000 | 3.20 % | - |
| First Associates Investments Inc.                        | 456,090 | -       | 456,090 | 1.38 % | - |

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|   |                  |                  |                  |   |          |
|---|------------------|------------------|------------------|---|----------|
| Bolder Investment Partners Ltd.   | 15,000           | -                | 15,000           | * | -        |
| Canaccord Capital Corp.   | 12,000           | -                | 12,000           | * | -        |
| Haywood Securities Inc.   | 54,000           | -                | 54,000           | * | -        |
| Penson Financial Services<br>Canada In Trust For:<br>3QAAGCA - Dan Currie -<br>Northern Securities Inc. | 5,250            | -                | 5,250            | * | -        |
| Wolverton Securities Ltd.   | 15,000           | -                | 15,000           | * | -        |
| Union Securities Ltd.   | 4,080            | -                | 4,080            | * | -        |
| <b>GRAND TOTALS</b>   | <b>6,175,620</b> | <b>3,742,800</b> | <b>2,432,820</b> |   | <b>-</b> |

\* - Less than 1%

**PLAN OF DISTRIBUTION**

**SELLING SECURITY HOLDERS**

The selling security holders and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling security holders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;

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- 
- privately negotiated transactions;
  - short sales;
  - broker-dealers may agree with the selling security holders to sell a specified number of such shares at a stipulated price per share;
  - a combination of any such method of sale; or
  - any other method permitted pursuant to applicable law.

The selling security holders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The selling security holders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades. The selling security holders may pledge their shares to their brokers under the margin provisions of customer agreements. If a selling security holder defaults on a margin loan, the broker may, from time to time, offer and sell pledged shares.

Broker-dealers engaged by the selling security holders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling security holders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling security holders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The selling security holders and any broker-dealers or agents that are involved in selling the shares may be deemed to be

"underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or

discounts under the Securities Act.

We are required to pay all fees and expenses incident to the registration of the shares. We have agreed to indemnify the selling security holders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

## LEGAL PROCEEDINGS

We are currently involved in litigation in British Columbia Provincial Court with a former customer, Pacific Capital Markets Inc. or PCMI, to collect amounts owing pursuant to a contract entered into in September, 2000. The defendant provided a \$100,000 deposit and contracted us to provide certain lead generation services. We delivered the requested services throughout October and November, 2000, however, the defendant defaulted on all additional payments. We are suing the defendant for the \$351,800 balance owing, plus interest and costs. The defendant has filed a statement of defense and counterclaim to recover the \$100,000 deposit. As of the date of this prospectus no further action had been taken by either party and no court date has been set. Although we currently believe the outcome of the litigation will be in our favor, we have not elected to aggressively pursue the litigation at this time. We have made no provision for the counterclaim in the financial statements and any settlement or final award will be reflected in our statement of operations as the litigation is resolved.

We have been named in two lawsuits involving members of our Bull Boards investment discussion forum on [www.stockhouse.com/ca](http://www.stockhouse.com/ca). Both suits allege defamation by unknown parties on our discussion forum. One lawsuit was in Alberta Provincial Court and the plaintiff was Bearcat Explorations. We have since been released from the litigation by the plaintiff. In the second lawsuit, which is in Saskatchewan Provincial Court, the plaintiff is Blackstrap Hospitality, and we have responded to the action by offering to provide information on the defendant on the condition that we receive a court order to do so. We expect to be released from this litigation without incurring further expenses.

## DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

The following table sets forth, as of the date of this prospectus, the name, age and position of our directors, executive officers and other significant employees:

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| Director/Officer<br>Name | Age | Since         | Position with the Company                         |
|--------------------------|-----|---------------|---|
| Marcus A. New            | 32  | May 1995      | Chief Executive Officer and Chairman of the Board |
| Leslie A. Landes         | 59  | August 1998   | President and a Director                          |
| David E. Gillard         | 34  | November 2001 | Chief Financial Officer                           |
| Craig D. Faulkner        | 33  | May 1995      | Director  |
| David N. Caddey          | 53  | June 1999     | Director  |
| Louis (Lee) deBoer II    | 51  | October 1999  | Director  |
| Jeffrey D. Berwick       | 33  | July 2002     | Director  |

We have formed an audit committee, composed of Craig Faulkner, David Caddey and, Lee deBoer. None of our audit committee members are financial experts as defined in the Sarbanes-Oxley Act. We have also formed a compensation committee, composed of the same three directors as the audit committee.

The backgrounds of our directors, executive officers and significant employees are as follows: Marcus A. New, B.A., Chief Executive Officer and Chairman of the Board Marcus New is our founder, and has been our Chairman and Chief Executive Officer since May 1995. Leslie A. Landes, President and a Director

Les Landes has served as a Director since June 1999, as our President and Chief Operating Officer since August 1998 and has been an advisor to us since shortly after our inception. Mr. Landes is also a director of TIR Systems Ltd., a British Columbia, Canada lighting technology company, which is a reporting company in Canada, and is listed on the TSX Venture Exchange.

David E. Gillard, CGA, Chief Financial Officer

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David Gillard has been Chief Financial Officer of Stockgroup since November 2001, and prior to that he had been with us in the capacity of Controller since March 2000. Prior to joining us, he was employed by Maynards Industries Ltd., a privately held asset conversion company, from 1993 to 2000.

Craig D. Faulkner, B.A., Director

Craig Faulkner is one of our founding partners and worked with us as Chief Technology Officer and a Director from 1995 to 2002. On March 28, 2002, Craig resigned as our Chief Technology Officer but he remains on the Board of Directors. Since April 2002 Mr. Faulkner has been president of Kikara Martial Arts Academies, a martial arts franchising company. He is also part of the advisory boards for Brand Fidelity an online service addressing the commercial naming and branding business, and Serveyor, a Managed Service Provider (MSP) for Internet Availability Monitoring, Performance Measurement and Quality testing, both of which are non-reporting private companies.

David N. Caddey, B.Sc., M.Sc., Director

David Caddey has been a Director since June 1999. Since July 1998 he has served as an Executive Vice President of MacDonald Dettwiler and Associates Ltd., a space technology and satellite services company that designs, manufactures, operates and markets a broad range of space products and services. MacDonald Dettwiler is a reporting company in Canada and is listed on the Toronto Stock Exchange.

Louis (Lee) deBoer II, Director

Lee deBoer has served as a director of Stockgroup since August 1999. Since May of 1998, he has served as President of

MediaFutures, Inc., which provides consulting services to clients in the Internet and cable broadcasting industries. From July 2000 through June 2001, he also served as CEO of Automatic Media Incorporated, an Internet media and software firm based in New York City. Mr. deBoer is also a director of Click TV, a television production company in the United Kingdom and Priva Technologies, both of which are non-reporting private companies.

Jeffrey D. Berwick, Director

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Jeff Berwick has served as a director from July 2002 to present. Mr. Berwick has been Chief Executive Officer of StockHouse Media Corporation, a non-reporting private company, since 1995. In 2003 Mr. Berwick helped found Covenant Corporation, which engages in anti-piracy solutions in the entertainment industry, and retains an active role with it. Covenant Corporation is also a non-reporting private company.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of the date of this prospectus, the beneficial ownership of common stock of each person known to us who owns, or has the right to acquire within the next 60 days, more than 5% of our issued and outstanding common stock.

| Name and address* of Beneficial Owner                      | Amount and Nature of Beneficial Ownership | Percent of Class |
|--|---|------------------|
| Marcus A. New<br>1028 Saddle St., Coquitlam, BC, Canada    | 3,016,500                                 | 9.06%            |
| Yvonne New<br>1028 Saddle St., Coquitlam, BC, Canada       | 2,214,500                                 | 6.81%            |
| 518464 B.C. Ltd.<br>1028 Saddle St., Coquitlam, BC, Canada | 1,945,000                                 | 5.98%            |

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U.S. Global Funds

7900 Callaghan Road,

San Antonio, TX 78229

2,400,000

7.38%

\*Unless otherwise referenced, the mailing address for each of the above mentioned parties is c/o Stockgroup Information Systems Inc., Suite 500 - 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7.

On March 11, 1999, we entered into a Share Exchange and Share Purchase Agreement with 579818 B.C. Limited, a British Columbia corporation, Stock Research Group, Inc., a British Columbia corporation, and all of the shareholders of Stock Research Group. Under that agreement we acquired all of the issued and outstanding shares of Stock Research Group in consideration of which 579818 B.C. Limited issued to the Stock Research Group shareholders 3,900,000 Class A Exchangeable Shares. We also issued to Stock Trans, Inc., our transfer agent, 3,900,000 shares of common stock, to hold as trustee for the benefit of the Stock Research Group shareholders. The exchangeable shares may be converted, at the option of the holder, into an equal number of shares of common stock held by the trustee. Pending any such conversion, each holder of the exchangeable shares may direct the trustee to vote an equivalent number of shares of common stock. The trustee has no discretion as to the voting or disposition of such common stock.

As a result of these transactions each of the former Stock Research Group shareholders has the right to vote, or to direct the trustee to vote on their behalf, a number of shares of common stock equal to the number of exchangeable shares held of record by them. In the aggregate, as of the date of this prospectus, the 2,491,000 shares of common stock held by the trustee represent approximately 7.66% of our issued and outstanding shares of common stock.

The trust created by these transactions will continue until the earliest to occur of the following events:

- no outstanding exchangeable shares are held by any former Stock Research Group shareholder;
- each of 579818 B.C. Limited and Stockgroup acts in writing to terminate the trust and such termination is approved by the holders of the exchangeable shares; and no outstanding exchangeable shares are held by any former Stock Research Group shareholder; and
- December 31, 2098.

Marcus New directly owns 169,500 exchangeable shares and his wife, Yvonne New, owns directly 19,500 exchangeable shares. They both indirectly own, through 518464 B.C. Ltd., a British Columbia company owned by Mr. New as to 50% and by Mrs. New as to 50%, 1,945,000 exchangeable shares. Accordingly, Marcus and Yvonne New beneficially own 2,134,000 exchangeable shares of common stock, which represent approximately 6.57% of our issued and outstanding common stock.

Mr. New also owns 2,000 shares of common stock which were purchased in the open market. On September 18, 2001, Mr. New was granted options to purchase 100,000 shares of common stock at an exercise price of \$0.12 per share. These options fully vested on March 18, 2002 and expire on September 17, 2007. On March 5, 2002, Mr. New was granted options to purchase 400,000 shares of common stock at an exercise price of \$0.22 per share, fully vesting on the grant date and with an expiry date of March 4, 2008. On May 13, 2002, Mr. New was granted options to purchase 300,000 shares of common stock at an exercise price of \$0.17 per share,

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fully vesting on grant date and with an expiry date of May 12, 2008. In combination with Mr. New's 2,134,000 exchangeable shares, his wife's 80,500 common shares, his 800,000 vested options and 2,000 shares of common stock, Mr. New holds a beneficial ownership position in us of 3,016,500 shares, representing approximately 9.06% of issued and outstanding common stock.

Yvonne New owns directly 80,500 common shares. Her direct shares in combination with her beneficial ownership of 2,134,000 exchangeable shares give her a beneficial ownership position in us of 2,214,500 shares, representing approximately 6.81% of issued and outstanding common stock.

U.S. Global Funds owns 2,400,000 shares, representing approximately 7.38% of issued and outstanding common stock. The natural persons who hold voting power over the securities held by U.S. Global Funds are Frank Holmes and Ralph Aldis.

Security ownership of management

The tables below and the paragraphs that follow present certain information concerning our directors and executive officers. None of our directors or executive officers has any immediate family relationship with any other director executive officer.

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| Name and Address* of Beneficial Owner                                   | Position with Company   | Shares Beneficially Owned January 23, 2004 | Percent of Class |
|---|-------------------------|--|------------------|
| Marcus A. New   |                         |  |                  |
| 1028 Saddle St.,<br>Coquitlam, BC, Canada                               | CEO, Director           | 3,016,500                                  | 9.06%            |
| Leslie A. Landes<br>3928 Westridge Ave.,<br>West Vancouver, BC, Canada  | President, Director     | 938,200                                    | 2.81%            |
| David Gillard<br>907 - 1008 Cambie St.,<br>Vancouver, BC, Canada        | Chief Financial Officer | 100,000                                    | 0.31%            |
| Craig D. Faulkner<br>1608 Woodland Dr.,<br>Vancouver, BC, Canada        | Director                | 625,500                                    | 1.92%            |
| David N. Caddey<br>49-15715 34th Ave.,<br>Surrey, BC, Canada            | Director                | 160,000                                    | 0.49%            |
| Louis de Boer II<br>25 Central Park West,<br>New York, NY               | Director                | 100,000                                    | 0.31%            |
| Jeffrey Berwick<br>2602-1077 Marinaside Cres.,<br>Vancouver, BC, Canada | Director                | 437,225                                    | 1.35%            |
| All directors, executive officers and significant employees as a group  |                         | 5,377,425                                  | 16.24%           |

\*The mailing address for each of the above mentioned parties is c/o Stockgroup Information Systems Inc., Suite 500 - 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7.

Leslie A. Landes acquired 105,000 common shares by exercising 105,000 options on November 26, 2002. On August 10, 2001, Mr. Landes was granted 533,200 options at an exercise price of \$0.22 and with an expiry date of August 9, 2007, of which all had vested as of the date of this filing. On October 22, 2002, Mr. Landes was granted options to purchase 300,000 shares of common stock at an exercise price of \$0.15 per share, fully vesting on the grant date and with an expiry date of October 21, 2008. Mr. Landes' common shares and vested options provide him with a beneficial ownership of 938,200 shares representing 2.81% of our issued and outstanding common stock.

David Gillard was granted, on April 30, 2001, options to purchase 7,500 shares of common stock at an exercise price of \$0.31 per share, fully vesting on October 31, 2001 with a six year exercise term. On May 13, 2002, Mr. Gillard was granted options to purchase 92,500 shares of common stock at an exercise price of \$0.15 per share, fully vesting on May 13, 2002 and with a six year exercise

term. Mr. Gillard has beneficial ownership of 100,000 shares of common stock representing less than 1% of issued and outstanding common stock.

Of the amount shown for Craig Faulkner, Mr. Faulkner directly owns 169,000 exchangeable shares and indirectly owns, through 569358 B.C. Ltd., a British Columbia company owned by Mr. Faulkner, 148,000 exchangeable shares. In addition, 569358 B.C. Ltd. owns 158,500 common shares. On September 18, 2001, Mr. Faulkner was granted options to acquire 100,000 shares of common stock at an exercise price of \$0.12 per share, fully vesting on the March 18, 2002, and with an expiry date of September 17, 2007. On October 22, 2002, Mr. Faulkner was granted

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options to acquire 50,000 shares of common stock at an exercise price of \$0.15 per share, fully vesting on the grant date and with an expiry date of October 21, 2008. Mr. Faulkner, through his direct and indirect holdings and 150,000 vested options, beneficially owns 625,500 shares representing 1.92% of our issued and outstanding common stock.

Of the amount shown for David Caddey, 50% (or 30,000 shares) are owned by Ms. Donna Caddey, Mr. Caddey's wife. Mr. Caddey and his wife each directly own 20,000 exchangeable shares. In addition, 20,000 shares of common stock are jointly owned by David and Donna Caddey. On August 10, 2001, Mr. Caddey was granted options to purchase 50,000 shares of common stock at an exercise price of \$0.22 per share, full vesting on August 10, 2002, and an expiry date of August 9, 2007. On October 22, 2002, Mr. Caddey was granted options to purchase 50,000 shares of common stock at an exercise price of \$0.15 per share, full vesting on grant date, and an expiry date of October 21, 2008. In combination with his direct and indirect holdings of 40,000 exchangeable shares and direct and indirect holdings of 20,000 shares of common stock, and 100,000 vested options, Mr. Caddey beneficially owns 160,000 shares representing less than 1% of issued and outstanding common stock.

Louis de Boer II was granted, on August 10, 2001, options to purchase 50,000 shares of common stock at an exercise price of \$0.22 per share, with a six year term and fully vesting on August 10, 2002. On October 22, 2002, Mr. de Boer was granted options to purchase 50,000 shares of common stock at an exercise price of \$0.15 per share, fully vesting on the grant date and with an expiry date of October 21, 2008. Mr. de Boer's vested options provide him with a beneficial ownership of 100,000 shares representing less than 1% of issued and outstanding common stock.

Jeffrey Berwick owns 437,225 common shares representing approximately 1.35% of our issued and outstanding common stock.

### Employment and severance agreement

We have an employment agreement with our President, Leslie A. Landes. The initial term of this agreement is 5 years and expires August 4, 2003, with two possible renewal terms of two years each. By virtue of neither party giving 90 days' termination notice before August 4, 2003, the management agreement had been renewed until August 4, 2005. Under the agreement Mr. Landes is scheduled to receive a minimum compensation of C\$150,000 (approximately US\$108,000) per annum. The agreement may be terminated by us or Mr. Landes on 30 days notice, and if early termination is initiated by Stockgroup without cause, Mr. Landes is to receive a severance payment equal to 12 months compensation.

### DESCRIPTION OF SECURITIES

The following description of our securities and various provisions of our Articles of Incorporation and our bylaws are summaries. Statements contained in this prospectus relating to such provisions are not necessarily complete, and reference is made to our Articles of Incorporation and bylaws, copies of which have been filed with the Securities and Exchange Commission as exhibits to our registration statement of which this prospectus constitutes a part, and provisions of applicable law. Our authorized capital stock consists of 75,000,000 shares of common stock, no par value, of which 32,498,721 shares were issued and outstanding as of the date of this prospectus, and 5,000,000 shares of preferred stock, no par value, of which no shares were issued and outstanding as of the date of this filing. As of the date of this prospectus there were, to our knowledge after consultation with our transfer agent, 99 registered and approximately 2,000 other holders of record of our common stock.

### COMMON STOCK

Each share of our common stock is entitled to share pro rata in dividends and distributions with respect to our common stock when, as and if declared by the Board of Directors from funds legally available therefore. No holder of any shares of common stock has any preemptive right to subscribe for any of our securities. Upon dissolution, liquidation or winding up of Stockgroup, the assets will be divided pro rata on a share-for-share basis among holders of the shares of common stock after any required distribution to the holders of preferred stock, if any. All shares of common stock outstanding are fully paid and non-assessable.

Each shareholder of common stock is entitled to one vote per share with respect to all matters that are required by law to be submitted to shareholders. The shareholders are not entitled to cumulative voting in the election of directors. Accordingly, the holders of more than 50% of the shares voting in the election of directors will be able to elect all the directors if they choose to do so.

Currently, our bylaws provide that shareholder action may be taken at a meeting of shareholders and may be affected by a consent in writing if such consent is signed by the holders of the majority of outstanding shares, unless Colorado law requires a greater percentage. Our Articles of Incorporation provide that our bylaws may be amended by the affirmative vote of a majority of the shares entitled to vote on such an amendment. These are the only provisions of our bylaws or Articles of Incorporation that specify the vote required by security holders to take action.

## PREFERRED STOCK

The Board of Directors is authorized, without further shareholder approval, to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock. The preferred stock may be issued in one or more series and the Board of Directors may fix the rights, preferences and designations thereof. No shares of preferred stock are currently outstanding and we have no present plans to issue any shares of preferred stock. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of our outstanding voting stock.

## CONVERTIBLE DEBENTURES, NOTES AND WARRANTS

### A. WARRANTS ISSUED WITH 3% CONVERTIBLE DEBENTURES

On January 19, 2001, we entered into a Securities Purchase Agreement with seven unaffiliated investors to issue \$500,000 of unsecured 3% convertible debentures and 800,000 non-transferable share purchase warrants.

By March 15, 2002 all of the principal of the convertible debentures had been converted into common stock.

The warrants remain outstanding and were issued on a pro-rata basis, with each debenture holder receiving one Series A warrant for each dollar of debentures purchased and three Series B warrants for each five dollars of debentures purchased. The exercise price of the warrants is \$0.25 per share for the Series A warrants and \$0.50 per share for the Series B warrants. The warrants are all currently exercisable and permit the holders to acquire up to an aggregate of 800,000 common shares at any time up to July 31, 2005.

### B. WARRANTS ISSUED WITH 8% CONVERTIBLE NOTES

On April 3, 2000, we entered into a Convertible Note Purchase Agreement with two unaffiliated investors to issue unsecured 8% convertible notes and 5-year callable warrants for gross proceeds of \$3 million. As of the date of this filing the principal balance of the notes had been fully extinguished or converted into common shares. The agreement included non-transferable share purchase warrants.

The warrants are all currently exercisable and permit the holders to acquire up to 281,818 common shares at an exercise price of \$3.00 at any time up to March 31, 2005.

### C. WARRANTS ISSUED WITH A JUNE/JULY 2003 SHORT FORM OFFERING

On June 4, 2003 and July 16, 2003, a group of investors purchased an aggregate of 3,742,800 units, each unit consisting of one common share and one non-transferable warrant, at a price of C\$0.37 (US\$0.27) per unit for total gross proceeds of C\$1,384,836 (US\$1,010,556) from us under a Short Form Offering. Each two warrants entitle the holder to acquire one common share at an exercise price of C\$0.75 (US\$0.55) for one year following the respective issue date. We also

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issued 374,280 agent's options, with each option allowing the agent to purchase one unit as described above for C\$0.37 (US\$0.27) for up to 24 months following the respective issue date.

As of the date of this prospectus none of the warrants or agent's options had been exercised, but they are all currently exercisable at any time.

## STOCK OPTIONS

### 1999 Incentive Stock Option Plan

The purposes of our 1999 Incentive Stock Option Plan are to enhance our profitability and shareholder value by enabling us to offer stock based incentives to employees, directors and consultants. The 1999 Stock Option Plan authorizes the grant to our, and our respective subsidiaries, employees, directors, consultants and advisors, of:

- stock options;
- restricted shares (which would generally provide for a substantial risk of forfeiture for a period of time);
- deferred shares, which would generally provide for shares to be issued upon services being rendered; and
- performance shares, which would generally provide for shares to be issued upon the attainment of specified performance goals.

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Under the 1999 Stock Option Plan we may grant incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, and non-qualified stock options. Incentive stock options may only be granted to our employees.

The number of shares authorized and reserved for grants under our 1999 Stock Option Plan is 2,000,000. The 1999 Stock Option Plan is administered by the Board of Directors, although the Board has the right to appoint a committee of two or more non-employee directors to administer the plan. Subject to the provisions of the plan, the Board and the committee have authority to determine the employees, directors, consultants and advisors who are to receive awards and the terms of such awards, including:

- the number of shares subject to the award;
- the fair market value of the shares subject to options;
- the exercise price per share;
- the terms of vesting, including whether vesting accelerates upon a change of control, which may also be granted to participants at any time after an award has been granted; and
- other terms.

Grants of options may consist of incentive stock options, non-qualified stock options or a combination of both. Incentive stock options must have an exercise price equal to at least 100% of the fair market value of a share on the date of the award and non-qualified stock options must have an exercise price at least equal to 75% of the fair market value of a share on the date of the award. If the grant of an incentive stock option is to a shareholder holding more than 10% of our voting stock, the exercise price must be at least 110% of the fair market value on the date of grant. Terms and conditions of awards are set forth in written agreements between the respective option holders and us. Awards under the 1999 Stock Option Plan may not be made after March 11, 2009, and stock options granted before that date may not have a term beyond that date.

If the employment with us of the holder of a stock option is terminated for any reason, other than as a result of a voluntary termination with the consent of the Board or the holder's death or disability, the holder's stock option terminates on the same date. If the termination is due to such a voluntary termination the holder may exercise the option, to the extent exercisable on the date of termination of employment, until three months after the date of termination. If an option holder dies or becomes disabled, stock options may generally be exercised, to the extent exercisable on the date of death or disability, by the option holder or the option holder's survivors until six months after the date of death or disability.

As of the date of this prospectus options to purchase 450,000 common shares are issued and outstanding. Of the issued and outstanding options, 420,000 options are vested and exercisable immediately and 30,000 options are unvested and not exercisable until vested. We have registered the shares subject to issuance under our 1999 Stock Option Plan pursuant to our registration statement on Form S-8 filed with the Securities and Exchange Commission on November 16, 1999.

As part of our listing agreement with the TSX Venture Exchange, we are not permitted to issue further options under this stock option plan, however the 450,000 outstanding options under the 1999 Stock Option Plan may be exercised at any time prior to their expiration or cancellation.

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### 2000 Incentive Stock Option Plan

The purposes and description of our 2000 Incentive Stock Option Plan are identical to our 1999 Stock Option Plan in all respects, save that the amount of shares authorized and reserved for issuance under the 2000 Stock Option Plan is 500,000 shares. As of the date of this prospectus 135,000 options are issued and outstanding and exercisable immediately. We have registered the shares subject to issuance under our 2000 Stock Option Plan pursuant to our registration statement on Form S-8 filed with the Securities and Exchange Commission on May 15, 2001.

As part of our listing agreement with the TSX Venture Exchange, we are not permitted to issue further options under this stock option plan, however the 135,000 outstanding options under the 2000 Stock Option Plan may be exercised at any time prior to their expiration or cancellation.

### 2001 Incentive Stock Option Plan

The purposes and description of our 2001 Incentive Stock Option Plan are identical to our 1999 and 2000 Stock Option Plans in all respects, save that the amount of shares authorized and reserved for issuance under the 2001 Stock Option Plan is 1,000,000 shares. As of the date of this prospectus 833,200 options are outstanding and exercisable immediately. We registered the shares subject to issuance under our 2001 Stock Option Plan pursuant to our registration statement on Form S-8 filed with the Securities and Exchange Commission on May 13, 2002.

As part of our listing agreement with the TSX Venture Exchange, we are not permitted to issue further options under this stock option plan, however the 833,200 outstanding options under the 2001 Stock Option Plan may be exercised at any time prior to their expiration or

cancellation.

#### 2002 Incentive Stock Option Plan

The purposes and description of our 2002 Incentive Stock Option Plan are identical to our 1999, 2000, and 2001 Stock Option Plans in all respects, save that the amount of shares authorized and reserved for issuance under the 2002 Stock Option Plan is 1,500,000 shares. As of the date of this prospectus 962,400 options issued and outstanding. Of the issued and outstanding options, 937,800 options are vested and exercisable immediately and 24,600 options are unvested and not exercisable until vested. We registered the shares subject to issuance under our 2002 Stock Option Plan pursuant to our registration statement on Form S-8 filed with the Securities and Exchange Commission on May 13, 2002.

As part of our listing agreement with the TSX Venture Exchange, we are not permitted to issue further options under this stock option plan, however the 962,400 outstanding options under the 2002 Stock Option Plan may be exercised at any time prior to their expiration or cancellation.

#### 2003 Stock Option Plan

The purpose and description of our 2003 Incentive Stock Option Plan are very similar to our 1999, 2000, 2001, and 2002 Stock Option Plans in all respects, save that there are certain additional restrictions on issuance of options to affiliates and persons performing investor relations activities, and certain vesting provisions. The number of shares authorized and reserved for issuance under the 2003 Stock Option Plan is 3,300,000 shares. As of the date of this prospectus no options have been issued under the 2003 Stock Option Plan. We have not registered the shares subject to issuance under our 2003 Stock Option Plan with the Securities and Exchange Commission. We have received approval from the TSX Venture Exchange for the 2003 Stock Option Plan.

### **EXPERTS**

The consolidated financial statements of Stockgroup at December 31, 2002 and 2001, and for each of the two years in the period ended December 31, 2002, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent chartered accountants, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about our ability to continue as a going concern as described in Note 1 to the consolidated financial statements) appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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### **LEGAL MATTERS**

The validity of the issuance of the common stock offered hereby has been passed upon for us by Faegre & Benson LLP.

### **DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES**

Our Articles of Incorporation and bylaws authorize indemnification of every person who is or was a director of us or is or was serving at our request as a director of another corporation of which we are or were a shareholder. The Board of Directors may determine whether or not to indemnify any person who is or was an officer, employee, agent or person working to the benefit of us against all costs, charges and expenses actually incurred by that person.

The directors may cause us to purchase and maintain insurance for the benefit of any person who is or may be entitled to indemnification as mentioned above against any expense or liability from which the person is or may be so entitled to be indemnified and may secure such right of indemnification by mortgage or other charge upon all or any part of our real and personal property, and any action taken by the Board will not require approval or confirmation by our shareholders.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act") may be permitted to directors, officers or controlling persons of us pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by a director, officer or controlling person of us in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in

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connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of competent jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

### ORGANIZATION WITHIN LAST FIVE YEARS

As set forth hereinabove, we have an employment agreement with our President, Leslie A. Landes. This agreement was signed on August 4, 1998, and has a term of 5 years, with two possible renewal periods of two years each. Under the agreement Mr. Landes is scheduled to receive a minimum compensation of C\$150,000 (approximately US\$108,000) per annum. The agreement may be terminated by Mr. Landes or us on 30 days notice, and if early termination is initiated by Stockgroup without cause, Mr. Landes is to receive a severance payment equal to 12 months compensation.

Other than our employment agreement with Mr. Landes, the ongoing employment salary which is being paid by us to our CEO,

Marcus New and the stock options which have been granted to Mr. Landes and Mr. New, there are no other transactions or proposed transactions during the last two years to which we were a party, in which any director, executive officer or a family member of any director or executive officer had or is to have a direct or indirect material interest exceeding \$60,000.

### DESCRIPTION OF BUSINESS

#### GENERAL

Stockgroup is a financial media and technology company. Our revenue streams can be categorized into two service divisions:

- Financial Software and Content Systems
- Public Company Disclosure & Awareness Products

#### PRODUCTS AND SERVICES

Our understanding of Internet based financial technology and media has enabled us to leverage our products and services to enter new markets and secure new clients. Using a common integrated technology platform, we have developed two main revenue sources: Financial Content and Software Applications and Public Company Disclosure & Awareness Products and Advertising.

##### *Financial Software and Contents Systems*

We have developed proprietary financial applications and tools we license to clients. The clients for Financial Software and Content Systems come from many different industries, such as news media, banks and credit unions, stock brokerages, leasing, insurance and others. We provide the tools on a private-labeled

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basis, and they are typically sold in licensing contracts of 24 months. These long-term contracts generate stable, recurring revenue streams.

Many of the tools are data-feed driven. We either feed data from our own aggregated databases or from third parties. The advantage of using the Stockgroup tools is that the customer is able to receive data and information from a variety of different feeds all from point of contact and at a fraction of the cost of purchasing all feeds individually. Also, in most cases we add value by customizing, filtering and sorting data in the configuration the customer wants. We are able to use our economies of scale and automation to give a service that is efficiently delivered and customized, and at a substantial costs savings to having the customer build and manage it internally.

Examples of some of the providers of third-party data feeds include Marketguide, Comtex, Multex and North American Quotations.

We distribute financial tools through content and application syndicates, such as Yellowbrix, through channel resellers such as The Associated Press, The Canadian Press, Comtex News Network, and through our own direct sales team. These financial tools, applications and content systems cover the entire North American market including mutual funds, commodities and equities.

We have built and maintain our proprietary data processing solution that aggregates the multiple feeds, translates and builds a common database infrastructure. Our system then cleans, filters and maintains the data for use by our various data-driven services. We have a sophisticated server and security system which runs this content/data management system. The data is streamed continuously in real time to our proprietary software

applications and our client Web sites.

The following are just a few of our over 25 Financial Software and Content Systems services:

- Real-time stock quotes on major U.S. exchanges;
- North American 20-minute delayed stock quotes and indices;
- Portfolio management, live portfolio updates and wireless portfolio updates;
- Most active stock updates;
- Stock watch lists;
- Company fundamentals, regulatory filings;
- Daily stock market winners/losers, most actives;
- Company profiles, stock screening (investment data) and technical stock analysis; and
- Employee stock option calculations.

The Financial Software and Content Systems applications are delivered to customers in four different formats:

- On a hosted basis where the content and private-labeled interface is hosted by Stockgroup and streamed to the customers' Internet or Intranet site;
- Through our proprietary software objects residing on the customers' servers which use a proprietary interface to retrieve data from our servers;
- Through a secured Internet channel to a client's proprietary interface; or
- Through different wireless devices and modes including handheld devices, pagers and portals which have been built and maintained by us.

#### *Public Company Disclosure and Awareness Products*

We have developed and own a large array of Public Company Disclosure and Awareness Products. These services are used by clients to either (a) manage their investor relations and shareholder communications through their Web site, (b) generate awareness for their company and their stock, (c) improve their U.S. and Canadian public disclosure compliance by automatically posting press releases and other disclosure items on their Web site or (d) advertise their products and services.

Products and services offered in this service area include the *IntegrateIR* software system, *Investor Marketplace*, *E-Mail News Blasts*, *Sector Supplements*, *Stockhouse @ The Bell* sponsorship, *Smallcap Express* sponsorship, Web site advertising and other online investor marketing services. These services are either sold individually or as bundled comprehensive programs.

Public companies are increasingly outsourcing these activities because they lack the internal skills and resources or because it is more effective and cost efficient than in-house development and maintenance. We offer a 'one-stop shopping' package for corporate clients and provide everything from news release tracking and postings to quarterly streaming conference calls. Our understanding of this market segment and focus has resulted in a highly specialized bundle of services including: private label quotes, charts and database tools for building relationships with shareholders and traffic reports to track investor usage of Web sites and inquiries.

Our IntegrateIR system represents a whole new way to manage shareholder communications and reach new investors. The IntegrateIR is an investor relations Web page and email management system that functions as a software application - giving the Investor Relations Officer and Chief Financial Officer desktop control over the investor relations portion of their Web site. In addition to standard features, such as dynamic quotes and charts, the IntegrateIR provides powerful new tools that automate the client's online disclosure activities including publishing their press releases, publishing of regulatory filings and distributing information requested by shareholders, all on a real-time, automated basis.

Other awareness services for public companies include the following:

*Investor Marketplace (IMP)*, a Web page which is actively marketed through advertising to draw readers, where companies can be featured online to prospective investors. Being featured on the IMP enables customers to get their name, profile and Internet link in front of a large investor audience that they may not otherwise be able to attain.

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*E-mail Services* sold under the names *Stockhouse News Blast*, *Special Situation Alert*, and *NewsHotline*, which are e-mail services used by our clients to disseminate their news releases and other client-supplied information to a select list of investors. Our e-mail address lists consist of subscribers who have opted to receive our mailings and confirmed their subscription a second time, a process known as "double opt-in". We take great care to ensure that recipients actually want the e-mails we send them. Our policies regarding e-mail exceed the requirements of U.S. and Canadian unsolicited e-mail laws and other private agencies who attempt to regulate, filter, and prevent the use of unsolicited e-mail.

*Sector Supplements*, which are a spotlight feature on a certain industry sector, such as energy, mining, biotech or technology, are an effective exposure tool for companies. In a Sector Supplement investors are drawn to a Web site that features up to 15 companies and contains industry-specific news and information. Investors who visit this Web site can view each of the featured companies' profiles, request information or link directly to the client's own Web site.

Sponsorship of the *Stockhouse @ The Bell/Smallcap Express* daily market recap mailings that goes to a large audience of e-mail readers who have signed up to receive it through Stockhouse.com and Smallcapcenter.com. A client who sponsors Stockgroup @ The Bell/Smallcap Express gets an advertising banner at the top of each flight. This can be an effective way for the client to get their name in front of a large number of investors.

*Advertising*, which is shown in various positions on Stockhouse.com and Smallcapcenter.com on a prescribed rotation, is another way for clients to get the attention of a targeted investor audience. Potential investors who see the advertisement can 'click through' the ad to get to a jump page which can include the client's own description of their company or product.

The StockHouse network (StockHouse.com/.ca/.com.au) offers content aggregation from hundreds of sources, a comprehensive equities database and the Internet's first syndicated message forums, the BullBoards™. The three Web sites attract investors in a number of global markets, including the USA, Canada and Australia.

### COMPETITION

The market for our Internet products and services is relatively new and has been highly fragmented, but we have seen a trend toward consolidation of the market in recent months. We compete intensely with other companies providing similar services to us. Many of those services are commodity-like and not easily differentiated. Our competition includes direct competitors such as Big Charts and Pinnacor, as well as general-purpose Internet portals such as Yahoo! and AOL, who provide financial and investment research information. We also compete with companies such as CCBN and Shareholder.com for the sale of our IntegrateIR disclosure and awareness services. Our competition in the advertising market includes other financial and business related Web sites such as TheStreet.com and Globeandmail.com. We expect our competitors to remain strong as the Internet industry further consolidates.

### CORPORATE BACKGROUND

We are a United States reporting public company incorporated in 1994 and registered in Colorado. Our shares are quoted on the OTCBB under the symbol "SWEB" and our head office is in Vancouver, British Columbia, Canada.

We operated from 1995 to 1997 as a profitable financial Internet technology and media company that offered proprietary financial news and tools to investors and companies.

We used our experience and the funds from a public offering in spring of 1999 to provide the foundation for the development and initial marketing of our services. In October 1999 we launched Smallcapcenter.com. At that time we believed that a subscription/ advertising model centering around Smallcapcenter was

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viable. While parts of this business model did not prove to be profitable, the exercise of building Smallcapcenter and its related investment tools gave us certain experience and skills, and a suite of service products to sell commercially. Smallcapcenter is still a portal for the investment community, and its drawing power is a driver to many of our investor awareness services. It also serves as a development and testing ground for new financial software tools being developed by us on a day-to-day basis.

From late 1999 to early 2001 we were hired to create enterprise Web sites for eStockAnalyst, AsiaXis, eDepositCenter, and OnMark on a contract basis. These contracts produced revenue of between \$150K and \$800K each, which was a significant amount of revenue for us, but they also took between three and six months each to complete and added instability in our cost structure. In early 2001 we decided that this E-Business Solutions division would be de-emphasized in favor of other areas with more profit potential, namely Financial Content and Software Applications and Public Company Disclosure and Awareness Products.

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From 2000 to 2001 we expanded our awareness and disclosure service line to include Sector Supplements and automated investor relations Web page tools such as the IntegrateIR. We already had a public company customer base, so the transition into this area was a natural extension of our core competencies.

We entered the Financial Content and Software Applications market late in 2000 by licensing our proprietary financial software tools, content and applications to customers who need to offer financial information to their customers or improve their content offering. We had access to an array of customers through our internal sales team as well as our reseller channels. Our content and software application model is attractive to customers because it is a comprehensive and cost effective alternative to in-house development.

Early in 2001, as the market for our products and services evolved, it became apparent to us where the most profitable and sustainable areas of the business were. They were Financial Content and Software Applications and Public Company Disclosure and Awareness Products (including IntegrateIR and other awareness and disclosure services). Once these were identified, a more streamlined and stable cost structure was introduced and our profitability and cash flow began to improve.

On June 24, 2002, under an agreement with StockHouse Media Corporation, we acquired a 65% interest in the Web site and certain related assets to run the StockHouse brand Web sites. We issued 2,080,000 common shares in exchange for the interest in the Stockhouse Media Corporation assets and we control and manage the operations of the assets and receive the net revenue to our account. Due to certain provisions in the agreement, we have the option of acquiring the remaining 35% of the assets for between 920,000 and 1,120,000 of our common shares based on a revenue/profit formula. The transaction was completed with an arms length party, although one of the principals of StockHouse Media Corporation has since become one of our directors.

Prior to that agreement StockHouse Media Corporation spent approximately \$30 million on its technology, brand and business development, ultimately becoming established as one of the leading online financial communities.

That transaction provided several key benefits to us including the addition of the Stockhouse brand product line to our service offering and the integration of assets into our business. The assets include Web site software systems, databases and programs needed to run Stockhouse.com.

On July 23, 2002 we became a reporting issuer in Canada and on December 17, 2002, we were listed and began trading on the TSX Venture Exchange in Canada.

Our corporate Web site is [www.stockgroup.com](http://www.stockgroup.com).

### EMPLOYEES

As of the date of this prospectus we employed 38 people on a full-time basis and 1 person on a part-time basis.

None of our employees are subject to collective bargaining agreements. We have never had a work stoppage. We believe relations with employees are good.

### REGULATORY ISSUES

We are not subject to governmental regulation in our Internet publishing efforts, nor to we know of any pending legislation or regulation which may impose regulatory requirements on our Internet activities. We believe that we are in compliance in all material respects with all laws, rule, regulations and requirements that affect our business, and that compliance with such laws, rule, regulations and requirements does not impose a material impediment on our ability to conduct our business.

### SUBSIDIARIES

We own 100% of the issued and outstanding voting common shares of 579818 B.C. Ltd., which is an intermediary holding company with no activity and which wholly owns Stockgroup Media Inc., a British Columbia corporation. Stockgroup Media Inc. is our Canadian operating company, and is the company where

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significantly all of our current and future planned operations reside. Stockgroup Media Inc. owns 50% of Stockscores Analytics Corp., a British Columbia corporation with limited activity at this time and no material impact on us. In addition, we wholly own Stockgroup Systems Ltd., a Nevada Corporation, which is our U.S. operating company, and Stockgroup Australia Pty Ltd, an Australia Corporation, which is our Australia operating company. Both Stockgroup Systems Ltd. and Stockgroup Australia Pty Ltd. have very limited operation, no salaried employees, and

no material assets.

## RESEARCH AND DEVELOPMENT

We do not conduct research. During 2001 and 2002 we invested approximately \$241,392 and \$78,792, respectively, on development activities related to new services. Our development consists of programming and design hours related to new services for later marketing and sale. During 2001 and 2002 the major service products we built were the IntegrateIR and our initial line of Financial Software and Content Systems services. We continue to perform development on new Financial Software and Content Systems services, albeit at a slower pace than in previous years as we already have a core set of services in place.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of the financial condition and results of operations of Stockgroup should be read in conjunction with the unaudited financial statements for the quarters ended September 30, 2003 and 2002 and the audited financial statements for the years ended December 31, 2002 and 2001 and the notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors including, but not limited to, those set forth under Risk Factors and elsewhere in this prospectus.

### RESULTS OF OPERATIONS - THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002

The results of the first nine months of 2003 are a product of our continued focus on improving the balance sheet and obtaining high quality sales customers and partners for our Financial Software and Content Systems. We continued to acquire additional twelve and twenty-four month customers for our Financial Software and Content Systems, which will continue to grow our recurring revenue stream.

Overall sales are up from Q3 2002 on both a three-month and nine-month basis. We continue to adapt to the changes in the markets.

|                                     | Revenue and Gross Profits |          |             |            |
|-------------------------------------|---------------------------|----------|-------------|------------|
|                                     | 2003                      | 2002     | Change (\$) | Change (%) |
| <u>Revenue Summary (\$000s)</u>     |                           |          |             |            |
| For the 9 months ended September 30 |                           |          |             |            |
| Total revenues                      | \$ 2,036                  | \$ 1,413 | \$ 623      | +44%       |
| Breakdown of major categories:      |                           |          |             |            |
| Public Company Disclosure           | 1,210                     | 888      | 322         | +36%       |
| Financial Software and Content      | 826                       | 525      | 301         | +57%       |
| For the 3 months ended September 30 |                           |          |             |            |
| Total revenues                      | \$ 746                    | \$ 563   | \$ 183      | +33%       |
| Breakdown of major categories:      |                           |          |             |            |
| Public Company Disclosure           | 444                       | 360      | 84          | +23%       |
| Financial Software and Content      | 302                       | 203      | 99          | +49%       |

Our Public Company Disclosure and Awareness Products (PCDAP) revenue stream contains the revenue generated by the Stockhouse Web sites. Due to complex weaving of our existing services in with the new Stockhouse services, we are not able to ascertain the revenue which can be directly attributable to Stockhouse, even on an approximate basis. We believe that the Stockhouse asset gives us an overall benefit because it gives our existing services added credibility and exposure, and gives us an alternative outlet for promoting and selling certain of our services. We acquired the Stockhouse web property late June 2002. Aggregate monthly revenue for the nine-month period ended September 30, 2003 was \$528K, compared with \$313K for the same period 2002, an increase of \$215K. In addition to the increase in revenue from monthly agreements, we had an increase in one-off services of \$107K, for a total increase year over year of \$322K. The increase from one-off services was not from any one customer or industry, but rather, we

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believe from a combination of the attention we gained from the acquisition of Stockhouse, a general market improvement, repeat business, increased selling efforts by our existing sales team and the addition of 4 new members to our sales team.

Financial Software and Content Systems revenue has grown at a steady rate due to its long- term contractual nature. As new clients are added, the effect on revenue is felt incrementally over time rather than immediately. This gives us a good base of revenue, which will recur for the life of the contract. Aggregate monthly revenue for the nine-month period ended September 30, 2003 was \$715K, compared with \$511K for the same period in 2002, an increase of \$204K. In addition to the increase in revenue from monthly agreements, we had an increase in setup fee amortization and other development fees of \$97K. The combined increase from our monthly revenues, setup fee amortization and other development was \$301K year over year.

### Cost of Revenues and Gross Profit Summary (\$000s)

|                                     | 2003   | 2002   | Change (\$) | Change (%) |
|-------------------------------------|--------|--------|-------------|------------|
|                                     | -----  | -----  | -----       | -----      |
| For the 9 months ended September 30 |        |        |             |            |
| Total cost of revenues              | \$ 484 | \$ 556 | \$ (72)     | -13%       |
| Gross profit                        | 1,552  | 858    | 694         | +81%       |
| Gross margin %                      | 76%    | 61%    | +15%        |            |
| For the 3 months ended September 30 |        |        |             |            |
| Total cost of revenues              | \$ 151 | \$ 222 | \$ (71)     | -32%       |
| Gross profit                        | 595    | 341    | 254         | +74%       |
| Gross margin %                      | 80%    | 61%    | +19%        |            |

Our cost of revenues consists of bandwidth, data feeds, advertising purchased for resale, and direct production labor. With the acquisition of Stockhouse, a high traffic Website, our bandwidth and data costs have risen, but our decreased emphasis on highly labor-intensive revenue such as programming and web site design has caused our direct labor costs to decrease.

Because our cost of revenues have decreased while sales have increased, our gross profit has increased, both in dollar value and percentage of sales.

### Operating Expenses

#### Operating Expenses Summary (\$000s)

|                                     | 2003     | 2002     | Change (\$) | Change (%) |
|-------------------------------------|----------|----------|-------------|------------|
|                                     | -----    | -----    | -----       | -----      |
| For the 9 months ended September 30 |          |          |             |            |
| Total operating expenses            | \$ 2,297 | \$ 1,638 | \$ 659      | +40%       |
| Breakdown:                          |          |          |             |            |
| Sales and marketing                 | 546      | 365      | 181         | +50%       |
| Product Development                 | 24       | 63       | (39)        | -62%       |
| General and administrative          | 1,727    | 1210     | 517         | +43%       |
| For the 3 months ended September 30 |          |          |             |            |
| Total operating expenses            | \$ 861   | \$ 594   | \$ 267      | +45%       |
| Breakdown:                          |          |          |             |            |
| Sales and marketing                 | 221      | 136      | 85          | +63%       |
| Product Development                 | 9        | 26       | (17)        | -65%       |
| General and administrative          | 631      | 432      | 142         | +46%       |

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Sales and marketing expenses increased by \$181K for the nine month period ended September 30, 2003 when comparing with 2002 due primarily to an increase in the number of sales staff from 10 to 14 full time members. The compensation and training expense arising from this increase in sales staff accounts for the increase in sales and marketing expense year over year.

General and administrative expense increased by a total of \$517K for the nine-month period ended September 30, 2003 compared to the same period 2002. This increase is due to several factors, most notably an increase in payroll expense, which is our largest expense category. The increase in payroll of \$196K is attributable to upgrades to our skill level and not an increase in number of staff, and is partly offset by a decrease in consulting expense of (\$125K). We have also had an increase in amortization of \$147K as the

Stockhouse Web site asset is being amortized over three years on a straight line basis, and the related server equipment leased concurrently with the Stockhouse acquisition is being amortized over two years straight line. Filing, regulatory, and investor relations

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expenses combined for a \$19K increase, due to our inter-listing on the TSX Venture Exchange in Canada. Bad debts expense increased by \$101K, due to increased risk on our accounts receivable from PCDAP. Foreign exchange rate changes have caused an increase in our expenses by \$170K, as the Canadian dollar has gained value relative to the United States dollar, and the majority of our expenses, including payroll, are in Canadian dollars. Various other general and administrative expenses not mentioned above increased year over year by a combined \$9K. The Stockhouse acquisition in June 2002 did not have a material impact on our general and administrative expenses.

Other Income (Expense) and Income Taxes

### **Interest and Other Expenses Summary (\$000s)**

|  | 2003     | 2002    |
|--|----------|---------|
|  | -----    | -----   |
| For the 9 months ended September 30  |          |         |
| Total interest and other expenses  | \$ (892) | \$ 755  |
| Breakdown:   |          |         |
| Cash interest expense  | (34)     | (19)    |
| Non-cash interest expense on<br>conversion of 8% convertible<br>notes      | (860)    | (86)    |
| Non-cash interest expense on<br>conversion of 3% convertible<br>debentures | -        | (160)   |
| Loss on warrants liability   | -        | (55)    |
| Gain on restructuring of<br>convertible notes                              | -        | 1,088   |
| Other income   | 2        | (13)    |
| For the 3 months ended September 30  |          |         |
| Total interest and other expenses  | \$ (10)  | \$ (58) |
| Breakdown:   |          |         |
| Cash interest expense  | (9)      | (9)     |
| Non-cash interest expense on<br>conversion of 8% convertible<br>notes      |          | (34)    |
| Other income   | (1)      | (15)    |

Cash interest, either already paid or payable after the quarter end, consists of interest on notes payable and capital leases. The remaining \$860K of interest for the first nine months of 2003 is non-cash interest arising out of the conversion of our 8% convertible notes and the related acceleration of the amortization of the debt discount. The conversions in January and May, 2003 were done at discounted conversion rates, producing a deemed interest expense equal to the difference between the fair value of the shares that could be acquired at the original conversion price of \$0.50 and the fair value of the shares that could be acquired at the discounted conversion rate in each event of conversion. The total of

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the deemed interest expense arising from the discounted conversion rate for the first three quarters of 2003 was \$724K. After the restructuring of the notes in February 2002, we had a debt discount that was subject to accretion over the period ended December 31, 2003. At the time of each conversion the pro-rata portion of the unamortized debt discount was immediately expensed according to the portion of the principal of the notes converted. The acceleration of the amortization of the debt discount produced a total interest expense over the first three quarters 2003 of \$136K.

Income taxes were nil in both the first nine months 2003 and the same nine months 2002. Due to our net loss position, we did not accrue tax in the first nine months of 2003. As at the most recent year end, we had tax loss carry forwards of \$5.324 million in Canada which expire in 2006, 2007, and 2008, and tax loss carry forwards of \$3.144 million in the U.S. which expire in 2019, 2020, 2021, and 2022.

Net Income

The net loss for the first nine months of 2003 was \$1.638 million compared to a loss of \$0.024 million in the first nine months 2002, a decrease of \$1.614 million. The decrease is due largely to the non-cash interest expense as described above, in 2003 combined with the large non-cash gain on restructuring of our convertible notes in 2002. The removal of the convertible notes from our balance sheet, which was completed in January and May 2003, should reduce the net income volatility in the future.

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|                                | 2003     | 2002     | Change (\$) | Change (%) |
|--------------------------------|----------|----------|-------------|------------|
|                                | -----    | -----    | -----       | -----      |
| For the 6 months ended June 30 |          |          |             |            |
| Total operating expenses       | \$ 1,437 | \$ 1,044 | \$ 393      | +38%       |
| Breakdown:                     |          |          |             |            |