

OTC Special Situations



Business Summary

Viral marketing and the outgrowth of user-generated content (UGC) is launching new Internet brands such as MySpace and YouTube at the fastest rate in history. **Stockgroup Information Systems, Inc.** (“**Stockgroup**”) (OTCBB: **SWEB**; TSX-V: **SWB**) is a leading financial technology and media company that has a proven franchise, management expertise and enabling technologies to capitalize on the UGC phenomenon. SWEB owns Stockhouse, a leading North American investor website that takes UGC and aggregated web information to build a more value-added experience for the user. The Stockhouse website has an attractive demographic that is much sought after by advertisers – the site is Canada’s #1 online community for active investors and ranks in the top five for all of North America.

Stockgroup licenses its platform consisting of collaborative technologies, aggregated and proprietary user generated content, and more than 40 software applications, to major news organizations and securities brokerage firms. In a move to extend its platform to wireless devices, SWEB recently acquired the Mobile Finance Division (MFD) of TeleCommunication Systems, Inc. (Nasdaq: TSYS). MFD’s signature product line MarketStream™ delivers real-time financial quotes and news onto wireless handheld devices, which empowers investment professionals, such as traders, securities analysts and investment bankers, to keep a pulse on Wall Street data 24/7. MFD brings Stockgroup a new customer base of large well-known financial institutions such as JP Morgan, Bear Stearns, Morgan Stanley and HSBC. MFD provides Stockgroup the capability of delivering its retail products such as Stockstream and its UGC directly onto wireless handheld devices. MFD brings StockGroup \$6 million in revenues. Ron Shuttleworth, technology analyst for Jennings Capital initiated coverage with a Buy recommendation and estimates the Company will generate in excess of \$18 million in total revenues in 2007 up from \$7.8 million trailing twelve month revenues.

Web 2.0 – Creating the fastest brands in the history of the markets

Over the past 18 months, the emergence of Web 2.0 has transformed the Internet from proprietary editorial content within “read-only” information portals to highly personalized, interactive communities focused on information sharing and collaborative decision making. MySpace(R), Wikipedia and Flickr are UGC sites that are among the top 10 fastest growing Web brands in the U.S. (source: Nielsen/NetRatings, August, 2006). Google’s (NASDAQ: GOOG) decision to acquire video sharing site YouTube is evidence of the tremendous growth prospects of UGC-powered sites. Viral marketing, combined with UGC content, creates a low cost revenue model that can quickly build brand equity for a Company; for example, MySpace achieved triple-digit growth over a single year.

UGC sites can also fill in the information gap for many industries, including the financial market. According to Forrester Research, the market for financial information is a \$6 billion industry in North America. The retail brokerage industry is rapidly being commoditized with a greater number of investors demanding access to financial tools

STOCK INFORMATION



Business:	Internet Information Provider
OTCBB Symbol:	SWEB
TSX.V Symbol:	SWB
Market Price:	\$0.95 (3/22/07)
52 Week Range:	\$0.30 - \$1.10
Avg. Daily Volume:	240,000
Shares Outstanding:	36.9 Million
Market Cap:	\$35.1 Million
Fiscal Year End:	December 31

and portfolio information. More than 90 million retail investors are in North America, and over 45 million use the Internet to gather financial information and investment advice. In-depth information is still widely targeted to the larger, institutional investment market, and often at a cost that is prohibitive to the individual investor. Individual (retail) investors comprise a growing online population, yet represent a highly fragmented and under-served consumer group. Stockgroup is delivering innovative technologies and products that provide individual investors and retail brokers with high-quality financial information and collaborative tools that can drive new efficiencies and add value, i.e. client retention and stronger advisor-client relationships, in the retail investment marketplace.

There is not a significant new company in the financial space for Web 2.0 due to the small number of communities which control the majority of the existing UGC. Existing communities have the needed critical mass to create engagement by users. People want to create, share, and analyze content where there is a critical mass of content. SWEB is one of these five companies.

A Unique Platform for User Generated Content and Web 2.0 Applications

Stockgroup’s current platform attracts individual investors, retail brokerage firms and some of the nation’s largest consumer banks, financial institutions and media companies.

StockHouse™ - Stockhouse is the leading financial website for active Canadian investors, attracting over 750,000 unique users per month and it was recently ranked #1 in Canada for user engagement by Comscore. BullBoards, its financial message forum, is ranked in the top 5 of all North American UGC financial content sites. In addition to general market and stock information, Stockhouse includes information on compan which are often overlooked or difficult to find on other financial Web sites. Stockhouse.ca was recently ranked #1 in average minutes per visitor per month with visitors aged 35+ years old spending nearly five times more minutes than visitors to Yahoo!, Canada Finance and Sympatico-MSN Finance. StockHouse is accumulating an ever-growing network of online users and UGC that can create new products and marketing opportunities.

Financial Tools and Analytics

Stockgroup licenses its platform consisting of collaborative technologies, aggregated and proprietary UGC, and more than 40 software applications to intermediaries who redistribute it to their customers who are retail investors. The Company currently serves over 150 media, financial and private companies. Clients include 12 of the top 30 Canadian brokerage firms and four of the top 15 U.S. newspapers. Current customers include: The Chicago Tribune, National Bank of Canada, Sony, The Boston Globe, E*Trade Financial, ClearChannel and State Farm Insurance Bank. Stockgroup's expertise with financial data and tools has enabled it to offer the retail investment community investment information products, which historically were price prohibitive. **Stockstream™** is the Company's flagship Web-based product that streams real-time quotations and UGC to subscribers starting at an affordable \$9.95 per month.

Stockstream™ Platinum is the latest version of Stockstream, which incorporates Web 2.0 collaborative technologies such as co-browsing, direct IM, RSS reader and broker set alerts, and related tools. Considering a single financial advisor may handle up to 250 clients, each with varying investment knowledge and criteria, the need for real-

"The institutions that provide the best online experience and the best use of technology will win. With the launch of StockStream™ Platinum, Stockgroup and Microsoft are taking the investor experience with their advisor to new heights."

Jim Cramer, investor advocate, best-selling author and host of CNBC's Mad Money

time evaluation, advisory and decision making between broker and client is critical. StockStream Platinum is the first-to-market real time quote streaming for brokerage firms focused on facilitating transactions and decision making between retail brokers and their clients.

MarketStream™

With its acquisition of MFD, Stockgroup has extended its delivery capabilities to wireless devices. The acquisition also brought an impressive client base, including Credit Suisse, Merrill Lynch, Reuters, Chase, CitiGroup, UBS Morgan Stanley, and Bear Stearns to SWEB. These revenue-generating, blue-chip customers add a total of \$6 Million to pro-forma 2007 revenues.

Stockgroup plans to leverage MFD's technology by offering both proprietary retail products and licensing the platform to large information organizations and corporations on a private label basis. Hutchinson Telecomm (2332-HK) is a leading communications and multimedia services company that is currently using a private labeled version of MarketStream. Reuters (NASDAQ: RTRSY) will launch its first wireless product offering called Reuters Connect, licensed through a private label agreement with SWEB, during the first half of 2007.

"The Stockgroup solution allows us to continue to be a leader by providing our users with the latest up-to-date financial news, while providing the most cost effective solutions."--

Bill Gates,
Chairman and Chief Software Architect
Microsoft Corporation (NASDAQ: MSFT)

Profitable Business Model

Stockgroup derives its revenues from website advertising and the licensing of financial software and content systems. The Company's online financial portal Stockhouse provides a highly targeted audience of active, affluent and educated North American retail investors and a much sought-after demographic to capture advertising revenue dollars. In fact, performance in 2006 exceeded 2005; annual advertising revenues in 2006 grew 36% as compared to last year to \$4.2 million. Customized data feeds and software tools are licensed to other media and financial companies through private labeling and licensing agreements. The StockStream and MarketStream product lines are licensed to organizations, and to individuals on a subscription basis.

Investment Highlights

✧ **Market Opportunity.** Worldwide, the market for online content services is expected to expand 10-fold to reach more than 131 million households by 2010. (source: In-Stat). Stockgroup is focused on providing Web 2.0 collaboration tools and user-generated content (UGC) for the large, yet highly-fragmented and under-served retail investment community, which represents over 45 million online users in North America., and a \$2 Billion market opportunity.

✧ **Strategic Acquisition.** An asset acquisition of Mobile Finance Division (MFD) immediately adds \$6 Million to SWEB revenues, a blue-chip client base, industry-leading distribution channels including Reuters, and a new wireless technology platform. SWEB private labels its technology platform to large global information providers and offers its own proprietary retail products.

✧ **Critical Mass.** Stockgroup owns and operates StockHouse™ - the #1 website for active investors, #1 website for financial user generated content, #1 website for user engagement in Canada and one the five largest communities in North America focused on user generated content and Web 2.0.

✧ **Strong Fundamentals.** Recently reported its 16th consecutive revenue growth, has no debt, and over \$2 million in cash despite significant build-outs to infrastructure

✧ **Upside Potential.** One of only a handful of public companies focused on Web 2.0 with a proven established community.

✧ **World-Class Leadership.** Former executives from Crystal Decisions; CBS Marketwatch; Bankrate; Bloomberg; HBO; Reuters; and the Wall Street Journal Online comprise an expert Board and management team.

✧ **Analysts Initiating Coverage.** March 19, 2007: Jennings Capital Inc. reiterates its BUY recommendation (initiated coverage on 1/29/07) and upgrades its 12-month price target to \$2.50 CDN (\$2.15 USD) from \$1.40CDN (\$1.21 USD). March 19, 2007: Loewen, Ondaatje, McCutcheon reiterates its BUY recommendation (initiated coverage on 11/16/06) with a 12-month price target of \$1.90CDN (\$1.64 USD). *conversion rates as of 3.23.07

As with most data-driven Internet companies, once an online property is launched and costs stabilize, a greater percentage of revenues can drop directly to the bottom-line. This profitable cost structure delivers gross margins of over 70% and creates strong operating leverage. SWEB has a healthy balance sheet with no debt. As of the most recently reported quarter, SWEB had more than \$2 million in cash, even after experiencing a build out to support growth. Stockgroup recently accomplished its 16th consecutive quarter of revenue growth. For the quarter ended December 31, 2006, SWEB revenues grew 28% to \$2.3 million compared to the same quarter in 2005. For the 12-month period ended December 31, 2006, total revenues were \$7.8 million, increasing 27% compared to the same period one year ago.

The majority of the Company's revenues are recurring - nearly 80% of total revenues - providing a margin of safety as well as an opportunity for sustainable upward growth. On a pro-forma basis,

including the MFD acquisition, trailing twelve month revenues exceeds \$13 million. In the second quarter of 2007, the Company plans to launch its next generation of StockHouse. The Company has assembled a strong leadership team at the executive and board levels with direct experience in media, finance and global blue-chip companies to direct its growth strategies.

With a proven Web-franchise, quality software applications and a wireless delivery platform, Stockgroup is positioned to be an innovative and leading presence for the retail investment community in the Web 2.0 marketplace. Stockgroup should offer shareholders a compelling potential for upside.

Experienced Leadership

Marcus New, *Founder, President and Chief Executive Officer*, is a recognized leader and sought-after speaker and writer (CNBC, CNN, Fox, IR Magazine and the Money Show) in the finance industry. In 2005 he was a finalist in the Ernst & Young Entrepreneur of the Year awards. He founded Stockgroup in 1995 and continues to provide the corporate vision and direction for the Company as its President and CEO. Prior to founding Stockgroup, he served as Vice President of Investor Relations for AmCan Public Relations Group Inc., a company specializing in investor campaigns for public companies. Mr. New is a graduate of Trinity Western University (Langley, British Columbia, Canada) where he received a Bachelor of Arts degree in Business.

Susan Lovell, *Chief Financial Officer*, was previously Director of Financial Planning and Analysis at Crystal Decisions, developers of business intelligence software, where she helped grow the company's revenues to over \$300 million prior to the company's acquisition by Business Objects in 2003. Previously, she served as Controller of GaleForce Solutions, an award-winning provider of CRM software for the financial services industry, and was responsible for developing and leading the information systems audit practice for Ernst & Young in Vancouver.

Michael Donnelly, *Vice President, Sales*, brings over 15 years of financial information publishing and electronic media, including a prior post as VP of Sales at Pinnacor, where he was responsible for revenues of \$34 million. Upon completion of a 2004 merger between Pinnacor and MarketWatch (NASDAQ: MKTW), Mr. Donnelly served as Executive VP of Licensing Sales at MarketWatch. Mr. Donnelly has also held senior sales management positions at Reuters (NYSE: RTRSY), including securing a single, \$150 million contract.

Bruce Nunn, *Vice President, Marketing*, contributes over 20 years of experience in bringing software solutions to market. He is the former Director of Marketing for Fincentric, a wealth management software company, where he is credited with growing revenues from \$7 million to \$62 million within three years. Previously, Mr. Nunn was VP of Marketing for Absolute Software and Director of Marketing for Modatech Systems.

Jennifer Chesney, *Director, Product Development*, holds an MA from Yale and was previously VP of Institutional Securities Marketing at Morgan Stanley and President of Newstrolls.

Adrian Birsan, *Msc, Director of IT*, is the former Systems Director of Datawest Technology.

Board of Directors

Leslie A. Landes, *Chairman*, spent 13 years with the Jim Pattison Group, the third largest private company in Canada with \$3 billion in sales. Mr. Landes also serves as Chairman of Liquidation World Inc. (TSX:LQW).

David Caddey, *Director*, spent the past 35 years in business and program management, engineering, logistics, and personnel management. He currently serves as an EVP at MacDonald Dettwiler, a \$900 million technology company.

Lee deBoer, *Director*, is Chairman of Lime, a Revolution Company (Steve Case). Mr. DeBoer spent 17 years at HBO in executive positions, including EVP of HBO Inc. He has also served as President of Time Warner International Broadcasting and CEO of New Century Network.

Thomas Baker, *Director*, has more than 25 years of experience in print and online media. He was the founder and general manager of The Wall Street Journal Online (wsj.com), which he took from a start-up into a \$60 million business unit of Dow Jones & Company, creating its position as the largest paid news and information site on the Web. Mr. Baker holds a degree from Princeton University and an MBA from Columbia Business School.

Elisabeth DeMarse, *Director*, is the former CEO of Bankrate Inc. (NASDAQ: RATE), where she restructured it into the #1 financial advice site as ranked by Media Metrix. During her tenure, Bankrate's revenues grew from \$5 Million to \$37 Million with a \$12 Million profit. As a former EVP at Bloomberg, Ms. DeMarse contributed to robust sales growth from \$50 Million to \$1.5 billion. Ms. DeMarse is a graduate of Wellesley and Harvard Business School.

Patrick Spain, *Director*, is the Chairman and CEO of Highbeam Research, LLC (formerly Alacritude, LLC), which operates an online research engine for individuals. He is also the co-founder and former Chairman and CEO of Hoover's, Inc., which was acquired by Dun & Bradstreet for \$119 Million. Mr. Spain holds a Juris Doctorate from Boston University.

Stephen R. Zacharias, *Director*, is Founder and President of Transact Capital Partners, LLC, an investment banking firm. He is the former Corporate Treasurer of Media General Inc (NYSE: MEG), a \$900 million media conglomerate responsible for over \$2 Billion in debt and equity financings.

Company Contacts

Stockgroup Information Systems, Inc.
750 West Pender Street
Suite 500
Vancouver, BC V6C 2T7
Canada
Tel: 604.331.0995
Free: 800.650.1211
Fax: 604.331.1194

Steve Gear, Investor Relations
Tel: 604.288.2861

Email: ir@stockgroup.com

For company information, please visit:
www.stockgroup.com

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