

HYPERFEED TECHNOLOGIES INC
Form 10-K
March 31, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from to

Commission file number: 0-13093

HYPERFEED TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-3131704

(I.R.S. Employer
Identification No.)

300 S. Wacker Drive, Suite 300, Chicago, Illinois

(Address of principal executive offices)

60606

(Zip Code)

(312) 913-2800

(Registrant's telephone number, including area code)

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None

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Name of each exchange on which registered
Common Stock, \$.001 par value per share	OTC Bulletin Board

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes

No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

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As of March 28, 2006, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$1,554,882 based on the closing sale price as reported on the OTC Bulletin Board System.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 27, 2006
Common Stock, \$.001 par value per share	7,641,889 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Shareholders to be held August 4, 2006 (Proxy Statement)	Parts II and III

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Portions of the Registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2006 Annual Meeting of Stockholders are incorporated by reference into Parts II and III of this report.

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This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7, contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause the results of HyperFeed Technologies, Inc. (HyperFeed) and its subsidiary, HYPRWare, Inc. (HYPRWare), (collectively, the Company) to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any statements of the plans, strategies and objectives of management for future operations; any statements regarding future economic conditions or performance; any statement of expectation or belief; and any statements of assumptions underlying any of the foregoing. The risks, uncertainties, and assumptions referred to above include risks related to the possibility of requiring additional financing; the possible dilution associated with financing arrangements; the execution of our business plan; the fluctuations in our financial results; our history of operating losses; attracting and retaining qualified management and key employees; the timely development and introduction of new product and service initiatives at competitive prices and performance levels; pending or future legal proceedings; the effect of economic and business conditions generally; and other risks that are described herein, including but not limited to, the items discussed in Risk Factors set forth in Item 1A of this report and that are otherwise described from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission.

PART I

Item 1. Business.

HyperFeed is a leading provider of ticker plant and smart order routing technologies and managed services to exchanges, financial institutions, hedge funds, and channel partners. Our advanced software technology serves as a corporate-wide ticker plant, providing firms in the financial services industry with the flexibility and agility to control their own data sources and data content in a cost-effective manner. Our HyperFeed Next Generation Ticker Plant (HTPX) technology, which includes our HVAULT and HBOX products, is designed to support low latency yet high value real-time market data and data services for use in receiving and distributing financial content with a competitive edge. Our dynamic smart order routing utilities (SORTT) are designed to offer price improvement in order execution while assisting firms with compliance with Regulation NMS (REG-NMS). Our High Performance Center technology is a global, highly distributed, fully managed financial content distribution utility with extremely low latency. Our MarketStamp technology, a derivative of SORTT, is an order routing platform that records timestamps and market snapshots to fulfill the requirements of Securities and Exchange Commission (SEC) Rule 11ac-5 and 11ac-7. Our HyperFeed Market Data Platform (HMDP) and Open Collaborative Container (OCC) comprise a data platform and display application based on Telerate's Trading Room System (TRS) and Active8 technology licensed from Reuters in 2005.

Beginning with a comprehensive understanding of the diverse needs of the financial services industry, we apply advanced technologies to the processing, delivery, distribution of, and access to, financial market data. We believe that we offer one of the fastest, most complete and reliable management exchange platform services, which can be used with industry-leading application programming interfaces (APIs), third-party applications or proprietary solutions. HTPX, the High Performance Center, MarketStamp, HMDP, and OCC have flexible licensing models that can fulfill the needs of financial institutions, exchanges, buy and sell side analysts, content providers, redistributors, channel partners and value-added resellers. It is our twenty-plus years of experience, human capital, and established product offerings that differentiate us from our competition. With our commitment to our customers and our desire to succeed, we continue to change the marketplace with our leading technologies.

General Development Of Business

Background

HyperFeed was originally incorporated in Illinois on June 23, 1980 as On-Line Response, Inc. We changed our name to PCQuote, Inc. in 1983 and incorporated in Delaware on August 12, 1987. In an effort to focus on the Web site and consumer business, we incorporated a subsidiary, PCQuote.com, Inc. (PCQuote), in March 1999. In June 1999, we changed our name to HyperFeed Technologies, Inc. In May 2003, we divested our individual retail investor unit and changed the name of our subsidiary, PCQuote, to HYPRWare, Inc. In October 2003, we divested our institutional consolidated market data feed business. In February 2005, we purchased the business of Focus Technology Group LLC, a smart order routing technology company. In May 2005, we entered into an exclusive agreement with Reuters and Moneyline Telerate to license globally in perpetuity the source and object code for both TRS and Active8 technology (the Reuters Agreement). Under the terms of the Reuters Agreement, we are entitled to use and further develop the TRS technology and the Active8 technology to offer our own market data platform and associated data display workstation worldwide. We are now focused on providing enterprise-wide ticker plant and transaction technology, software and services enabling financial institutions to process and use high performance exchange data.

Current Market Conditions

For over twenty years, our proprietary ticker plant technologies were used behind-the-scenes to process our consolidated market data feed, HyperFeed Market Data, for our customers. In response to market trends demanding direct exchange connectivity, we divested our institutional consolidated market data feed business to focus on offering directly the same advanced and robust ticker plant technologies to our customers. With the sale of our institutional consolidated market data feed business, we believe that HyperFeed is no longer viewed as a competitor to certain participants in the financial services industry, which has enabled us to become a provider of technology to our traditional competitors in the consolidated market data feed business. We believe that this shift in focus has opened other new markets for us, including exchanges and content providers as well as financial institutions and redistributors. Additionally, we believe that the High Performance Center will open our market to include hedge funds.

HyperFeed's HTPX evolved as a result of changing trends in the financial services industry. Financial markets are undergoing fundamental changes as a result of excess capacity, growing data volumes, new market participants, and regulatory pressure. We believe these changes have resulted in fewer people, with tighter budgets, working harder and handling more information under the increasingly watchful eyes of regulators. The proliferation of program trading, the growth of electronic trading and electronic exchanges, the advent of new exchange depth products, and the effect of current economic conditions are collectively influencing financial institutions to seek to receive market data feeds directly from each source of market data, including traditional exchanges and newer electronic trading systems. We believe that financial institutions pursuing direct market data feeds are focused on issues of performance management and redundancy, bandwidth requirements and latency reduction. Despite the difficult market conditions, we believe this trend creates opportunities for us.

In addition to those noted above, there exist several other key factors that we believe have spurred the shift toward direct market data feeds. In particular, we believe that merger and acquisition activity among traditional consolidated market data feed vendors has caused financial institutions to reevaluate relying on third parties for consolidated market data feeds. In recent years, Reuters acquired Bridge, Multex, and Telerate, SunGard acquired Fame, and Interactive Data Corporation (IDC) / ComStock acquired our institutional consolidated market data feed business. As a result, financial institutions are now considering direct market data feeds for both primary and secondary data sources.

We believe that the increasing presence of program trading has influenced financial institutions and their desire to implement direct market data feeds. As more active and complex program trading proliferates, faster access to market data is necessary to maintain a competitive edge. Direct market data feeds minimize latency while providing the large volume of data required to support the trading applications.

We also believe that the proliferation of electronic exchanges entering new marketplaces and the introduction by existing exchanges of new products have influenced financial institutions and their increased desire to implement direct market data feeds. This expansion in the breadth and diversity of market data sources and the increase in the number of products traded have produced unsurpassed volumes of data that must be processed. For example, the arrival of NASDAQ's SuperMontage, NYSE's OpenBook, ECNs, exchange auto-execution systems, and Boston Options Exchange to the trading community has increased already high data volumes. These new products and exchanges magnify the number of updates requiring even greater amounts of bandwidth. High update rates also require more ticker plant processing power, which in turn can result in data processing latency. We believe that in order to ensure performance and reliability, financial institutions must seriously investigate eliminating the consolidated market data feed vendor and obtaining their market data directly from each data source.

We believe that REG-NMS will also shape market conditions. REG-NMS could have dramatic ramifications for market data bandwidth, order routing technology, and real-time compliance and monitoring systems. We believe that our MarketStamp product will allow us to offer

customers compliance with the proposed regulations while permitting greater efficiency and lower costs with a highly customizable routing system.

Current Market Opportunity

Implementing direct market data feeds is not a simple solution. Market data sources broadcast market data in different formats that continually require modification, and have very granular and detailed user reporting and permissioning requirements. Many traders rely on special ratios and calculations like Volume Weighted Average Price (VWAP), time/sales, best bid, or money flow to make split second trading decisions. These are complex algorithms only handled by robust and flexible ticker plant technologies. The algorithms need to be calculated in real-time, simultaneously, as the data is received or they have little value. In addition, true latency reduction requires more than just a direct connection and a source server. Each market data feed must be developed to and supported for systems and data management. We believe that these problems can be solved by utilizing HyperFeed's HTPX, which allows users to pick and choose any configuration of a direct market data feed with consolidated market data feed in a managed services platform.

Capturing direct data feeds from many different market data sources requires financial institutions to write code and develop separate Front End Processors (FEPs) for each market data source. They must also keep up with the multitude of changes and new products from market data sources. The FEPs must be able to process trade corrections, perform data integrity checks, and read complex symbology. Once the FEPs receive the data, it must be consolidated and normalized into a single format for output so it can be processed by applications or viewed on a desktop by an end-user. HyperFeed has FEPs that currently process market data from Canadian/Toronto Stock Exchange, Chicago Board of Trade, Chicago Mercantile Exchange, Montreal Stock Exchange, NASDAQ, New York Board of Trade, New York Mercantile Exchange/Commodity Exchange, New York Stock Exchange, American Stock Exchange, Options Price Reporting Authority, BRUT, ARCA, INET, and historical and fundamental data providers. In addition, we plan to offer international feed handlers for the largest European exchanges beginning in the third quarter of 2006.

In addition, each exchange has specific detailed reporting and user-management requirements. A robust back-end database is necessary to administer this function. Our entitlements system is an extensible system built to manage exchange vendor of record functions and is offered for use as part of HTPX.

Large financial institutions often create proprietary calculations and data feeds that give them a competitive edge in trading and analysis. HyperFeed's Software Development Kits (SDKs) allow companies to seamlessly integrate the proprietary information market data from other market data sources.

Currently, there are approximately 25,000 users of Telerate's Active8 technology being fed by Telerate's TRS platform. We believe these users can be transferred to HyperFeed's HMDP and OCC products with little additional infrastructure costs. With our partners, we have a program to contract the existing 25,000 users onto HMDP and OCC. We believe this approach offers data agnostic software whereby customers and content providers have the same access to high-level support, promoting an equal integration platform.

We believe that our twenty-plus years of experience as a provider of consolidated market data feeds will create additional opportunities within our marketplace. In particular, in connection with our market data feed products, we have historically provided ticker plant technologies to Bridge, PCQuote, Charles Schwab & Co., Inc., Townsend Analytics, Ltd. (Townsend), and IDC/Comstock. We further believe that our knowledge and experience designing, building and operating ticker plants provide us with the insight to understand complexities such as data integrity, real-time performance, data exchange entitlements and multicast transmission and position us well to take advantage of opportunities within our marketplace.

Products and Services

HyperFeed's core products and services are currently built around our HTPX technology. HyperFeed offers and licenses its HTPX platform in a variety of manners to meet our customers' needs. Examples of the flexibility of HyperFeed and its solutions include: complete ticker plant outsourcing and management; prepackaged HBOX solutions; and licensing and proprietary custom development around HTPX. HyperFeed also offers flexible IP licensing scenarios. In 2005, HyperFeed began to offer our HMDP technology, which is based upon Telerate's TRS technology.

HTPX

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HTPX is offered as a complete turnkey solution for the normalization, databasing, integration and transmission of high performance, real-time data sources from market data sources, content providers, and proprietary in-house sources. It provides direct access to market data from Canadian/Toronto Stock Exchange; Chicago Board of Trade; Chicago Mercantile Exchange; Montreal Stock Exchange; NASDAQ; New York Board of Trade; New York Mercantile Exchange/Commodity Exchange; New York Stock Exchange; American Stock Exchange; Options Price Reporting Authority; BRUT; ARCA; INET; and ComStock, and offers a complete set of data cleansing and management tools for remote or on-site use. It provides adaptors to a number of widely used middleware platforms, and can be used collectively as a complete solution or individually to augment the functionality of other vendor system products. In addition, we plan to offer international feed handlers for the largest European exchanges beginning in the third quarter of 2006.

There are five components to HyperFeed's HTPX: HSOURCE (Front End Processing), Data Switch, Caching and Analytics, Management, and Toolkits and Adaptors. In addition, the High Performance Center allows distributed and managed access to HTPX technology.

HSOURCE

Designed for performance, HSOURCE is HyperFeed's exchange normalization engine tuned to offer full multicast streams or interest based access with sub-millisecond performance. Faster than a ticker plant, HSOURCE is an ideal solution for customers who require specific data sets with minimal latency.

In addition to ultra-low latency, the multicast capabilities of HSOURCE allow firms to efficiently monitor the entire data stream or filter using point to point mechanisms to select only the specific data sets and the individual securities they need. With filtering capabilities, HSOURCE minimizes networking overhead and the hardware footprint. These advantages result in the best cost to performance ratios available.

HSOURCE normalizes and consolidates raw exchange data and presents it to applications via our published API. Optional configurations allow for API access to the full breath of the exchange or filtering based specific interest based criteria, depending on the application requirements. The HSOURCE is available as a stand alone component or as part of our HTPX ticker plant solution and is currently providing customers a cost effective competitive advantage with low cost yet high performance components.

Data Switch

HTPX has a scaleable distribution architecture, known as Data Switch, that uses both multicast and uni-cast forms of network traffic, according to the demands of our customers' network design. We believe that data fan-out rates are limitless due to Data Switch's unique cascadable capability. Data Switch's modular design enables the HTPX platform to scale to handle the dramatically increasing message rates of market data and reduces the demand for high end processors. A single Data Switch will scale to handle over 100,000 inbound messages per second - we believe sufficient capacity to handle predicted growth for the foreseeable future.

Assisting in handling increasing message rates is HyperFeed's Zero Loss Compaction (ZLC) technology, another component of our HTPX. ZLC can alleviate the latency problems and reduce the bandwidth costs financial institutions face with direct market data feeds. It compacts data up to a 10:1 ratio, allowing customers to receive complete data sets over less bandwidth.

Caching and Analytics

HTPX is fully compatible with the latest Blade Server technology. A large number of pre-programmed data calculations are included with the HTPX Analytics Engine, which performs complex calculations based on data that the system is receiving (for example, calculating VWAP) and injecting the newly calculated data fields into the real-time data stream. The Analytics Engine on HTPX facilitates the creation of custom market indices, in addition to a wide range of pre-programmed indices. Time and sales and historical data can be collected and stored in the newly designed HTPX Data Cache.

In addition, the HTPX Data Cache stores many types of data - records, page, news, reference, self-describing, time and sales and historical data. The system's data model can store equities, futures, options, treasuries and FX data. Access to the data is simplified by the use of symbol translations and abstraction layers that ensure receiving data in a form that can be easily integrated into systems. Additional flexibility is built into the HTPX Data Cache with its ability to store self-describing data.

Management

Compliance with exchange requirements, tracking and auditing data feeds, handling corrections, splits, symbology, and options chaining, and data line tracking and switching are handled by HyperFeed's Management products. These products include:

Entitlements System

Each market data source has specific detailed reporting and user-management requirements. A robust back-end database is necessary to administer this function. HyperFeed's entitlements system is an extensible system built to manage administrative exchange vendor of record functions. It is designed to be a complete back-office entitlement system to monitor and manage enterprise data set permissions and automatically record and accurately report this information to the market data sources. The entitlements system is Vendor Reporting XML (VRXML) compliant and approved by Canadian/Toronto Stock Exchange, Chicago Board of Trade, Chicago Mercantile Exchange, Montreal Stock Exchange, NASDAQ, New York Board of Trade, New York Mercantile Exchange/Commodity Exchange, New York Stock Exchange, American Stock Exchange, Options Price Reporting Authority, BRUT, ARCA, and INET.

Control Room

HyperFeed's Control Room is a set of over 200 monitoring tools that manage and audit incoming lines and alerts for problems. In addition to allowing the viewing of incoming lines, it also provides statistics such as sequence number, baud rate, and sensitivity status. It has completely customizable alarms, task management capabilities, and remote accessibility along with supplying data management capabilities. Our Control Room also handles all data manipulation, restores, and corrective actions.

Data Maintenance Line

The data cleansing layer of HyperFeed's HTPX is designed to manage corrections, splits, symbology, and options chaining. Line arbitration is a feature that simultaneously monitors pairs of lines and selects the most timely data on a packet by packet basis,

ensuring that customers receive the most complete data sets possible with minimal latency. HyperFeed also offers a proprietary maintenance line to process corrective actions contained by a remote operational and data integrity staff. The line is designed to also handle the processing of the master options file, corporate actions, and splits and dividends.

Tools and Adaptors

HyperFeed's tools and adaptors are designed to allow customers to supply data to any required environment or application. These products include:

SDKs

HyperFeed's SDKs are designed to allow customers to quickly and easily integrate all of HyperFeed's database content into their own financial applications without enduring long development cycles or incurring high development costs. Available development tools currently include: .Net, COM, JAVA, C/C++ (for UNIX/LINUX and Windows), Visual Basic, and CGI. HyperFeed develops SDKs to support the latest technology standards, including Microsoft.NET.

RMDS Adaptor (Reuters Market Data System)

RMDS Adaptor is an adaptor that allows financial institutions with the RMDS infrastructure to access, publish, manipulate, and display HyperFeed processed data within RMDS applications.

High Performance Center

The High Performance Center is a global, highly-distributed, fully-managed financial content distribution utility with extremely low latency and an end-to-end Service Level Agreement. It combines HyperFeed's HTPX ticker plant technology with Radianz's global communications network to provide high-performance access to financial content in a utility model. The High Performance Center is designed to allow customers to plug into a high-performance, yet turnkey, utility service for the normalization, caching, integration, entitlement control, and transmission of high performance, real-time direct data sources. It provides managed access, managed content, standardization, and managed interfaces that redefine financial content distribution. The network becomes the ticker plant - there are no central caching or data processing facilities.

HBOX

HBOX is an offering developed based on HyperFeed's HTPX that allows customers to have a complete on-site financial ticker plant solution. While HTPX is designed to be a high-level solution offering the utmost in flexibility and customization, HBOX is an off-the-shelf solution for customers who want the benefits associated with direct exchange access, but who don't require the development and breadth of customization HTPX offers.

HMDP

HMDP is HyperFeed's market data platform based on Telerate's TRS technology, which is widely considered the most architecturally open platform available. As a proven market data distribution platform that interfaces many different data feeds, HMDP makes it easy to integrate market data from any source into any type of display or application software: transactional, web distribution, risk management, or other mid and back-office systems.

OCC

OCC is a professional financial desktop application that is fully customizable for various classes of end users and is based on Telerate's Active8 technology. OCC seamlessly integrates multiple data sources including real-time data, chains, charts, analysis, news, and other published data. It supports various operating systems and displays all the data available on HMDP.

MarketStamp

MarketStamp is a derivative of our smart order routing system that stamps all executions with timestamps and market snapshots for compliance with the SEC's Rules 11ac-5 and 11ac-7. It is designed to take advantage of hidden liquidity and fast markets by using its proprietary analysis and hundreds of customizable customer preferences to segment and route stock orders in a highly efficient and profitable way. By looking at depth-of-book data, MarketStamp can interact with both depth-of-book and top-of-book data to offer the opportunity to achieve best execution.

Consulting Services

HyperFeed's experienced employees can manage a ticker plant entirely or consult with customers to help them manage their own ticker plant. The two basic categories of consulting services include:

Managed Services

HyperFeed offers complete management of a customer's onsite or remote ticker plant.

Software Customization

HyperFeed offers consulting services to customers for customized integration into their existing applications and infrastructure.

The key advantages of HyperFeed's products and services include:

Cost Effective: HyperFeed's HTPX is designed to provide optimal performance and cost efficiency, which is intended to reduce direct costs of capital, indirect infrastructure, and support costs of our customers.

Experience: HyperFeed has experience working with some of the largest financial firms and exchanges, assembling innovative low latency high performance solutions.

Expertise: HyperFeed has been developing ticker plants for over twenty years and now brings that expertise directly to the customer.

Products and Services: HyperFeed's solutions are designed to solve many of the hurdles and costly operational issues associated with implementing direct exchange solutions. In addition, we generally offer flexible licensing solutions to meet the needs of our customers.

Excellence in Execution: We are committed to both the highest levels of quality and continuous improvement in our business processes, our products, our services, and our support.

Strategy: With input from our customers, we continue to build ticker plant products derived from our HTPX technologies that meet required performance standards at the cost points the market demands.

Industry Participation: HyperFeed is a member of and participates in several industry associations that keep us up to date with current and proposed changes and standards.

Widely Deployed: HyperFeed has over 1,500 active HBOX installations, and our HTPX technology is currently deployed at three U.S. exchanges and numerous flagship financial institutions.

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Because of these key advantages, we believe that we are unique with respect to the completeness of our technologies and service offerings. HyperFeed is a leader in providing managed ticker plant solutions and the technology for direct exchange connectivity. With our commitment to our customers and our desire to succeed, we believe that we continue to change the marketplace with our leading edge technologies.

Major Customers

Our major customers fall into four categories: exchanges, financial institutions, hedge funds, and channel partners. We sell directly to our customers and have entered into partnership agreements with several channel partners that have the ability to resell or refer HyperFeed products to the marketplace. In addition, HyperFeed's HTPX allows for the aggregation and delivery of exchange based data and services via alliance partners that utilize our technology to enhance the direct delivery of data from exchanges to financial institutions.

Patents, Trademarks, and Licenses

Our proprietary software is protected from unauthorized use by the U.S. Copyright Act and trade secret laws and all distributed copies of the software and supporting materials bear a copyright notice. We also attempt to protect our rights in proprietary software by entering into license agreements with customers and suppliers and confidentiality and non-disclosure agreements with our employees and other third parties. We use security measures to restrict access to our services to only those with proper password identification. As an additional safeguard, we generally retain source code and provide only object code bearing a copyright notice to third party users of our proprietary software.

The following are trademarks we use in our business:

HyperFeed® and the HyperFeed® logos are registered trademarks.

HyperServer is a trademark of HyperFeed Technologies, Inc.

HyperFeed SmarTicker is a trademark of HyperFeed Technologies, Inc.

Neosphere is a trademark of HyperFeed Technologies, Inc.

Neosphere DB is a trademark of HyperFeed Technologies, Inc.

Competition

We believe the market for ticker plant technologies used to facilitate and manage direct market data feeds in an HTPX model is significant and has expanded due to key trends in the financial services industry. Direct competitors include small consulting firms that sell market data feed servers and in-house development teams, but we believe that these firms only compete with HyperFeed on the first level of service (source servers) involving FEPs. Examples of these types of firms are InfoDyne and Wombat Consulting. We do not believe that these firms currently offer ticker plant services such as time/sales, money flow and bid/ask, data management tools, ZLC technologies, SDKs and adaptors or smart order routing. We believe that there are a multitude of consultancy and software providers that can offer one-time solutions that compare with our offerings but, to our knowledge, these consultancy and software providers do not offer the highly configurable software and customized development offered by HyperFeed.

We believe the market for our HMDP technology includes the estimated 25,000 current customers of Telerate's Active8 technology being fed by Telerate's TRS platform. These customers are concentrated within a handful of large financial services institutions. The major competitor in this space is Reuters, owner of Telerate's TRS. We believe that our experience in ticker plant technology and established presence plus the lower infrastructure costs and our willingness to create open communities make HMDP a more attractive prospect than Reuters' offerings.

We have recently notified Reuters that we believe that Reuters has failed to provide us certain technology that Reuters is required to provide us under the Reuters Agreement and has taken certain other actions that we believe may conflict with Reuters' obligations under the Reuters Agreement. As a result, we did not pay to Reuters the scheduled license fee payment due under the Reuters Agreement in January 2006. If we are unable to obtain the completion of Reuters' obligations under the Reuters Agreement, or if the Reuters Agreement is terminated, our ability to develop and commercialize our HMDP and OCC product offerings could be adversely affected. While Reuters has not acknowledged any non-compliance with its obligations under the Reuters Agreement, it has offered to provide certain additional items to us and has requested payment of the license fee upon our receipt of these items. Our discussion with Reuters about these topics is continuing.

Additionally, we face competition from a large range of participants in the financial industry, including market data vendors, large global system integrators, network service providers, software companies, exchanges, and new technology firms.

Seasonality

We have not experienced any material seasonal fluctuations in our business.

Research and Development

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Our research and development personnel expend their time and effort developing and enhancing HyperFeed's HTPX technology. Recent key development projects related to HTPX include enhancements to the core components to reduce latency, increase capacity to cope with ever increasing market message rates, and enhance auditing features to enable applications to monitor latency dynamically per message. An enhanced system monitoring capability was also developed along with the ability to automate routine data maintenance operations.

Additionally, our research and development personnel expend their time and effort developing, enhancing, and extending HyperFeed's HMDP technology. Recent key development projects related to HMDP include rebuilding Telerate's TRS software in HyperFeed's environment and adding a Bloomberg PhatPipe feed handler. Further development projects related to HMDP will include branding Telerate's TRS software to reflect HyperFeed's HMDP name, and (i) add the ability to store and retrieve many months of news headlines and stories, (ii) enhance user data publishing configurability and resilience, (iii) add a Java version of the HMDP producer applications programming interface, (iv) add support for the latest versions of Microsoft and Sun Operating Systems, and (v) add additional data feed and contribution feed handlers.

During the fiscal years ended December 31, 2005, 2004 and 2003, we expensed \$1,779,386, \$1,441,472, and \$1,827,975, respectively, for research and development.

Environment

Compliance with federal, state, and local provisions with respect to the environment has not had a material adverse effect on our capital expenditures, earnings, or competitive position.

Employees

As of December 31, 2005, we employed 48 people, none of who are represented by a collective bargaining unit. We believe we have a satisfactory relationship with our employees. We also use the services of outside consultants on an hourly basis.

Government Contracts

We have no material contracts with the government.

Backlogs

Due to the nature of our business, backlogs are not a typical occurrence.

Available Information

Our Internet address is www.hyperfeed.com. On the investor relations section of our Web site, we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with or furnish it to the SEC. The information found on our Web site is not part of this or any other report we file with or furnish to the SEC.

Item 1A. Risk Factors

In addition to factors mentioned elsewhere in this report, the factors contained below, among others, could cause our financial condition and results of operations to be materially and adversely affected and could cause our actual business and financial results to differ materially from those contained in forward-looking statements made in this report or presented elsewhere by management from time to time.

We may require additional financing to operate our business

We currently believe that our existing capital resources, including cash and cash equivalents, accounts receivable, assets related to discontinued operations, cash expected to be received from holdbacks associated with the sale of our institutional consolidated market data feed business, and available credit under a Secured Convertible Promissory Note issued by us to PICO Holdings, Inc. (PICO) in the principal amount of \$10.0 million on March 30, 2006 (the 2006 Convertible Note) are sufficient to fund our operations over the next twelve months. Although we currently

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believe that our existing capital resources are sufficient, no assurances can be made that this will be so. If we require additional capital resources to continue to fund our operations, there can be no assurances that such capital will be available or available on terms satisfactory to the Company.

We may issue additional shares and significantly dilute our stockholders' ownership percentage

Some events over which stockholders have no control could result in the issuance of additional shares of HyperFeed's common stock, which would dilute our stockholders' ownership percentage in us. For example, we may issue additional shares of HyperFeed's common stock to raise additional capital or we may be obligated to issue additional shares of HyperFeed's common stock upon the conversion of the 2006 Convertible Note.

In particular, the 2006 Convertible Note provides that the number of shares that PICO would receive in connection with a conversion of any amounts outstanding under the 2006 Convertible Note would be determined by dividing the total outstanding amount to be converted by the lesser of (i) 80% of the five-day moving average per share price of HyperFeed's common stock on the date of conversion or (ii) 80% of \$1.05 per share. The number of shares of HyperFeed's common stock issuable upon conversion of the 2006 Convertible Note is not subject to a cap. The number of shares that may be issued in connection with the conversion of the 2006 Convertible Note could increase substantially if the market price of HyperFeed's common stock decreases during the period the 2006 Convertible Note is outstanding. For example, the number of shares of HyperFeed's common stock that we would be required to issue upon conversion of \$10.0 million of amounts outstanding under the 2006 Convertible Note would be 11,904,762 based upon the last sale price for HyperFeed's common stock of \$1.05 per share, as reported in the consolidated quotation system on March 28, 2006. However, if the price for HyperFeed's common stock fell to \$0.85 per share, we would be obligated to issue 14,705,882 shares upon the conversion of \$10.0 million of amounts outstanding under the 2006 Convertible Note.

Failure to execute our current business model will adversely affect our business and your investment in us.

We expect to face many challenges in building our business around our current business model. In particular, our ability to

successfully execute our current business model will be dependent on our ability to maintain and develop advanced ticker plant technologies in a cost effective manner and aggressively license such technologies to the financial services industry. If we fail to successfully execute our current business model, our business and your investment in us will be adversely affected.

We have experienced and expect to continue to experience significant period-to-period fluctuations in our revenue and operating results, which may result in volatility in the price of our stock.

Our quarterly revenue and operating results have varied significantly in the past and are likely to vary substantially from quarter to quarter in the future. In particular, the execution of our current business model may increase volatility in our quarterly revenue and operating results. Accordingly, period-to-period comparisons should not be used to anticipate results or trends in future periods. In addition, these variations may cause our stock price to fluctuate. If quarterly results fail to meet public expectations, the price of our stock may decline.

We have a recent history of operating losses and may not become or remain profitable.

We have sustained significant losses in recent years and may not become profitable in the future. If we incur additional losses or fail to achieve profitability in the future, this will hinder our ability to operate our current business and may affect the trading price of HyperFeed's common stock. Before the gain on the sales of our discontinued operations, net of taxes, we incurred a net loss of \$2.7 million for the fiscal year ended December 31, 2003, a net loss of \$5.3 million for the fiscal year ended December 31, 2004, and a net loss of \$9.8 million for the fiscal year ended December 31, 2005. As of December 31, 2005, we had an accumulated deficit of approximately \$54.8 million. These conditions raise doubt about our ability to operate profitably in the future, however management has plans to continue to fund our operations. See Note 1 of the Notes to Consolidated Financial Statements.

We may not be able to keep pace with continuing changes in information processing technology, evolving industry standards, and customer preferences.

The financial services industry is constantly changing and evolving. Recent trends in this industry have included consolidated market data feed vendor consolidation, the proliferation of program trading, and the advent of new products from market data sources. Together with the effect of current economic conditions, these factors are influencing financial institutions to get market data feeds directly from each market data source. While we introduced our HTPX model in response to these emerging trends, the financial services industry will likely continue to change and evolve. The success of our business will depend on our ability to successfully foresee, identify, and adapt to evolving trends in the industries in which we operate.

In addition, the financial services industry has experienced and is continuing to experience rapid technological advances and developments. We are actively engaged in research and development activities to try to meet our customers' needs and preferences. There can be no assurance, however, that we will be successful in addressing technological advances and developments on a timely basis or that, if addressed, we will be successful in the marketplace. A delay or failure to address technological advances and developments could have a material adverse effect on our results of operations. In addition, there can be no assurance that technologies developed by others will not render our products and services noncompetitive or obsolete.

Our financial performance is highly dependent on the timely and successful introduction of new products and services.

Our financial performance depends in large part upon our ability to successfully develop and market next generation and new products and services in a rapidly changing technological and economic environment. If we fail to successfully identify new product opportunities and timely develop and introduce new products that achieve market acceptance, we may lose our market share and our future revenue and earnings may suffer.

If we are not able to manage our growth effectively, we may not become profitable.

We anticipate that expansion of our business will continue to be required to address potential market opportunities. There can be no assurance that our infrastructure will be sufficiently scalable to manage our experienced growth and any future projected growth. If we are unable to sufficiently enhance and scale our infrastructure to handle this growth, our profitability may suffer. There also can be no assurance that if we continue to expand our operations, management will be effective in expanding our physical facilities or that our systems, procedures or controls will be adequate to support such expansion. Our inability to manage our growth may harm our business.

Our products may contain defects, which may result in liability and/or decreased sales.

Software products frequently contain errors or failures, especially when first introduced or when new versions are released. Despite our best efforts to test our products, we might experience significant errors or failures in our products, or they might not work with other hardware or software as expected, which could delay the development or release of new products or new versions of our products and adversely affect market acceptance of our products. We might not discover software errors that affect our new or current products or enhancements until after they are deployed, and we may need to provide enhancements to correct such errors. These errors could result in:

harm to our reputation;

lost sales;

delays in commercial release;

product liability claims;

delays in or loss of market acceptance of our products; and

unexpected expenses and diversion of resources to remedy errors.

Because competition for highly qualified sales and software development personnel is intense, we may not be able to attract and retain the employees we need to support our planned growth.

To execute our growth plan, we have increased the size of our sales force and software development staff. To successfully meet our objectives, we must continue to attract and retain highly qualified sales and software development personnel with specialized skill sets focused on our industry. Competition for qualified sales and software development personnel can be intense, and we cannot assure you that we will be successful in retaining current employees or attracting and retaining new ones. The pool of qualified personnel with experience working with or selling in our market space is limited. Our ability to expand our sales team will depend on our ability to recruit, train and retain top quality people with advanced skills who understand sales in our market space. Because the sale of solutions such as ours is still relatively new, there is a shortage of sales personnel with the experience we need. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications for our business. In addition, it takes time for our new sales personnel to become productive, particularly with respect to obtaining major customer accounts. In many cases, newly hired sales personnel are unable to develop their skills rapidly enough, which results in a relatively high turnover rate and a corresponding increased need to make continual new hires. If we are unable to hire or retain qualified sales and software development personnel, or if newly

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hired personnel fail to develop the necessary skills or reach productivity slower than anticipated, it would be more difficult for us to sell our solutions, and we may experience a shortfall in revenues and not achieve our planned growth.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and establish our brand.

Our success and ability to compete depend in part on our internally developed technology and software applications. We rely on patent, trademark, copyright and trade secret laws and restrictions in the United States and other jurisdictions, together with contractual restrictions on our employees, strategic partners and customers, to protect our proprietary rights. Any of our trademarks may be challenged by others or invalidated through administrative process or litigation. We may not be successful in obtaining patent protection for our products and we may be unable to obtain additional patent protection in the future. In addition, any issued patents may not provide us with any competitive advantages, or may be challenged by third parties. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our solution is available. As a result, we cannot assure you that our means of protecting our proprietary rights will be adequate. Furthermore, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property. Any such infringement or misappropriation could have a material adverse effect on our revenues and prospects for growth.

Our publicly-filed reports are subject to review from time to time by the SEC.

The reports of publicly-traded companies are subject to review by the SEC from time to time for the purpose of assisting companies in complying with applicable disclosure requirements. SEC reviews may be initiated at any time. While we believe that our previously filed SEC reports comply, and we intend that all future reports will comply in all material respects with the published rules and regulations of the SEC, we could be required to modify, amend or reformulate information contained in prior filings as a result of an SEC review. Any modification, amendment or reformulation of information contained in such reports could be significant and result in material liability to us and have a material adverse impact on the trading price of HyperFeed's common stock.

A principal stockholder is in a position to control matters requiring stockholder vote.

PICO owns 80.1% of HyperFeed's common stock. If PICO elects to convert all or any portion of amounts we borrow under the 2006 Convertible Note into HyperFeed's common stock, PICO could own a significantly larger proportion of HyperFeed's common stock. Accordingly, PICO is in a position to control the outcome of matters requiring a stockholder vote, including the election of directors. Such control could have the effect of discouraging, or making more difficult, an unsolicited acquisition of us by means of a tender offer, a proxy contest or otherwise.

We rely on software licensing agreements from third parties that could be terminated or allowed to expire.

We license software applications from unaffiliated third parties. The termination of these license agreements by unaffiliated third parties could have a material adverse effect on our business, financial condition, and results of operations. In particular, during the 24 month period following Reuters' delivery of the TRS software to us, the European Union may modify our license agreement with Reuters if it determines that we are unsuccessful in implementing our HMDP business model or do not become an effective competitor in this market. These license agreements are for initial terms and provide for automatic renewals unless terminated by delivering written notice prior to the renewal date.

We believe that Reuters has failed to fulfill its obligations under the license agreement for the TRS and Active8 technologies.

We have licensed the source code for the TRS and Active8 technologies from Reuters and Telerate. We believe that Reuters has failed to provide us certain technology that Reuters is required to provide us under the license agreement, and we believe Reuters has taken certain other actions that conflict with Reuters' obligations under the license agreement. As a result, we did not pay to Reuters the scheduled license fee payment due under the license agreement in January 2006. If we are unable to obtain the completion of Reuters' obligations under the license agreement, or if the license agreement is terminated, our ability to develop and commercialize our HMDP product offering could be adversely affected, which could have a material adverse effect on our business, financial condition, and results of operations.

We compete with companies that have greater financial, technical, and monetary resources than we do, which could result in additional pricing pressures on us and reduce our profitability.

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We believe the market for ticker plant technologies used to facilitate and manage direct market data feeds in an HTPX model is significant and has expanded due to key trends in the financial services industry. Direct competitors include small consulting firms that sell market data feed servers and in-house development teams, but these firms only compete with HyperFeed on the first level of service (source servers) involving FEPs. Examples of these types of firms are InfoDyne and Wombat Consulting. We do not believe that these firms currently offer ticker plant services such as time/sales, money flow and bid/ask, data management tools, ZLC technologies or SDKs and adaptors. We believe that a multitude of consultancy and software providers exist that can offer one-time solutions that compare with our offerings but, to our knowledge, these consultancy and software providers do not offer the highly configurable software and customized development offered by us.

We believe that there are large companies in the financial market data industry that can offer more comprehensive consolidated data feed products. Though these products do not match the speed of receiving data directly from market data sources, they may be more cost effective and offer greater breadth of data. In addition, these firms may develop and launch a product that competes directly with our ticker plant technologies. We believe our primary competitors in this area include Reuters, Thomson Corporation, IDC, and Bloomberg. These competitors have significantly greater financial, technical, and marketing resources and greater name recognition than we do. Our goal is to license our technology to these premiere data providers. Nonetheless, there can be no assurance that we will be able to achieve our goal or otherwise compete successfully with our existing competitors or with any new competitors.

Our licensing and consulting contracts may subject us to litigation, which may be costly for us to defend.

Many of our contracts are for services and software technologies that are critical to the operations of our customers' businesses. The failure or inability to deliver services and software to our customers' satisfaction could have a material adverse effect on their operations and could consequently subject us to litigation. Any litigation could cause us to incur legal fees and use management resources, which could have a material adverse effect on our business, financial condition, and results of operations.

Our software may infringe on intellectual property rights of others, which may subject us to litigation.

We believe that our services and software applications do not infringe upon the intellectual property rights of others and that we have all rights necessary to utilize the intellectual property employed in our business. However, we are subject to the risk of litigation alleging infringement of third-party intellectual property rights. We typically license the software we develop for use by our customers, and we generally agree to indemnify our customers against potential third-party intellectual property rights claims. Any claims could require us to:

spend significant sums in litigation;

pay damages;

develop non-infringing intellectual property; and/or

acquire licenses to the intellectual property that is the subject of asserted infringement.

We depend on a limited number of customers for a substantial portion of our revenue and a loss of current major customers would significantly reduce our revenue.

A limited number of customers historically have accounted for a substantial portion of our revenue. In the fiscal year ending December 31, 2005, revenue from one customer represented approximately 18% of our consolidated revenue from continuing operations. In the fiscal year ending December 31, 2004, revenue from one customer represented approximately 60% and another approximately 11% of our consolidated revenue from continuing operations. We have experienced significant changes from year to year in the composition of our major customer base and believe this pattern will continue. The loss of or a significant reduction in purchases by current major customers that are not offset by corresponding increases from other current or future customers would have a material adverse effect on our business, financial condition, and results of operations.

We rely heavily on executive officers who do not have employment contracts.

Our success is highly dependent upon the efforts and abilities of our executive officers. The loss of services of one or more of our executive officers or other key personnel for any reason could have a material adverse effect upon our business, financial condition, and results of operations. Although our executive officers have entered into agreements with us that contain nondisclosure covenants, those agreements do not

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guarantee their continued employment with us. We continue to recruit financial, technical, and operational personnel. Competition for these people is intense and we may not be able to attract and retain qualified replacements or additional technical or operational personnel. We may not be successful in finding suitable replacements for any senior management personnel who may leave us.

Our anti-takeover provisions may not be in the best interests of our stockholders.

Our Certificate of Incorporation and By-laws, the Delaware General Corporation Law and the Securities Exchange Act of 1934, as amended, contain certain provisions that could have the effect of discouraging or making more difficult the acquisition of us by means of a tender offer, a proxy contest or otherwise, even though an acquisition might be economically beneficial to our stockholders.

Our anti-takeover provisions include:

only the Board of Directors or an authorized special committee of the Board of Directors may call meetings of stockholders; and

stockholders must comply with certain advance notice procedures to nominate candidates for election as directors and to submit proposals for consideration at stockholders' meetings.

These provisions may make the removal of management more difficult, even in cases where such removal would be favorable to the interests of our stockholders.

Item 2. Properties.

Our executive offices and primary data center are located in approximately 15,000 square feet of leased space on the 3rd floor of 300 South Wacker Drive, Chicago, Illinois. The lease for the premises expires on December 31, 2009. Lease payments are subject to escalating base rent as well as adjustment for changes in real estate taxes and other operating expenses. See Note 7 of the Notes to Consolidated Financial Statements.

We lease approximately 11,000 square feet of office space at two sites in Aurora, Illinois through March 2006 and have extended the lease for approximately 6,000 square feet at one site in Aurora, Illinois through March 2007. We lease approximately 3,000 square feet of office space in New York, New York through July 2007. We lease approximately 1,300 square feet of office space in San Francisco, California through March 2008. We lease approximately 50 square feet of office space in London, England through June 2006.

We believe that these facilities are adequate for our needs.

Item 3. Legal Proceedings.

On June 2, 2003, we sold the individual retail investor unit and related assets of our subsidiary, PCQuote, to Money.net, Inc. On August 24, 2004, we filed a six-count complaint for breach of contract and amounts due in the Circuit Court of Cook County, Illinois against Money.net. The amounts sought in the complaint were \$131,155 for a promissory note, including interest, \$31,920 from a data feed license agreement, and \$63,917 related to a transition services agreement. On November 2, 2005, a judgment was entered in HyperFeed's favor and against Money.net for the sum of \$226,992. On December 22, 2005, we entered into a settlement agreement with Money.net in which Money.net agreed to pay us \$200,000, with an initial payment of \$35,000 and twelve equal monthly installments of \$13,750 commencing January 15, 2006. As of December 31, 2005, we had a promissory note and accounts receivable, net of allowances, of \$151,122 due from Money.net.

On February 23, 2006, we filed a two-count complaint in the Tax Court of New Jersey contesting the determination by the New Jersey Division of Taxation that HyperFeed had nexus with New Jersey for the purposes of (i) the New Jersey Corporation Tax and (ii) the New Jersey Sales and Use Tax for the period beginning January 1, 1994 and forward. We intend to aggressively contest the determination. As of December 31, 2005, we had accrued \$250,000 in potential tax liability and recorded the expense in discontinued operations.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II

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

Market for Common Equity

HyperFeed's common stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol HYPR.OB.

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The following tables show for 2005 and 2004 the high and low bid prices of HyperFeed's common stock for the periods indicated, as reported by the consolidated transaction reporting system.

2005 Quarterly Information	High	Low
First	\$ 3.00	\$ 1.80
Second	2.01	1.60
Third	2.00	1.65
Fourth	2.25	1.16

2004 Quarterly Information	High	Low
First	\$ 7.00	\$ 5.50
Second	6.61	2.85
Third	5.75	2.00
Fourth	3.20	2.10

On August 13, 2003, we effected a one-for-ten (1:10) reverse split of HyperFeed's common stock. All share and per share data give effect to the reverse stock split.

As of February 28, 2006, we had 436 stockholders of record of HyperFeed's common stock. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

We have 50,000,000 shares of common stock and 5,000,000 shares of preferred stock authorized under our certificate of incorporation.

Dividend Policy

We have not paid dividends on HyperFeed's common stock and do not currently plan to do so in the near future.

Securities Issuance Under Equity Compensation Plans

Information required in Item 5 related to securities issuances under equity compensation plans will be set forth in the Company's Notice of Annual Meeting of Shareholders and Proxy Statement to be filed within 120 days after the Company's fiscal year end of December 31, 2005 (the Proxy Statement), which information is incorporated herein by reference.

Recent Sales of Unregistered Securities

As described in Management's Discussion and Analysis of Financial Condition and Results of Operation, Liquidity and Capital Resources, and in

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Note 18 of the Notes to Consolidated Financial Statements, on March 30, 2006, we issued to PICO a Secured Convertible Promissory Note (the 2006 Convertible Note) that will replace a \$4.2 million Promissory Note issued to PICO on March 15, 2006. Under the terms of the 2006 Convertible Note, we may borrow up to \$10.0 million at an interest rate of prime plus 2.75%. We are obligated to repay all outstanding principal and accrued interest under the 2006 Convertible Note two years from issuance. The 2006 Convertible Note, which is convertible by PICO at any time into shares of HyperFeed s common stock, provides that the number of shares that PICO would receive in connection with a conversion of any amounts outstanding under the 2006 Convertible Note would be determined by dividing the total outstanding amount to be converted by the lesser of (i) 80% of the five-day moving average per share price of HyperFeed s common stock on the date of conversion or (ii) 80% of \$1.05 per share. The number of shares of HyperFeed s common stock issuable upon conversion of the 2006 Convertible Note is not subject to a cap. In addition, in connection with issuing the 2006 Convertible Note, we issued to PICO a warrant to purchase 125,000 shares of HyperFeed s common stock, at an exercise price of \$1.05 per share. The warrant expires on March 30, 2009.

The 2006 Convertible Note, the warrant, and the shares of common stock to be issued in connection with the issuance of such note were offered and sold to PICO in reliance upon the exemption from registration set forth in Section 4(2) of the Securities Act of 1933, as amended.

There were no repurchases of securities made by us in a month within the fourth quarter of our fiscal year ended December 31, 2005.

Item 6. Selected Financial Data.

For the following years ended December 31:	2005	2004	2003	2002	2001
Statements of Operations Data:					
Revenue (1)	\$ 4,269,618	\$ 5,967,088	\$ 1,599,963	\$ 911,141	\$ 296,949
Loss from continuing operations	(9,473,795)	(4,998,181)	(4,055,370)	(5,072,727)	(5,445,638)
Net income (loss) available for common stockholders	(9,451,543)	(4,956,961)	1,600,818	(4,360,774)	(2,372,622)
Basic and diluted net loss per share from continuing operations					
	\$ (2.47)	\$ (1.63)	\$ (1.43)	\$ (2.09)	\$ (3.49)
Balance Sheet Data:					
Total assets (2)	\$ 4,615,518	\$ 3,712,646	\$ 9,714,258	\$ 6,295,590	\$ 10,374,755
Long-term obligations	\$ 1,102,972	\$ 297,164	\$ 292,676	\$ 36,089	\$ 107,163
Stockholders' equity (deficit)	\$ (555,142)	\$ 765,164	\$ 5,680,709	\$ 2,594,817	\$ 6,570,950

(1) Revenue relates to revenue from continuing operations.

(2) Total assets for all periods presented include assets related to discontinued operations.

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

We encourage you to read the following discussion and analysis in conjunction with the Consolidated Financial Statements and the related notes that appear elsewhere in this report.

Introduction

In fiscal 2005, we completed our second full year of operations under our current business model; that is, a business model built on providing ticker plant technologies and related consulting services directly and through sales channels in the financial services industry, rather than principally using our ticker plant technology internally as part of a consolidated market data feed business to service customers. Additionally, in the first quarter of 2005, we announced our acquisition of the assets of Focus Technology Group LLC, including its Smart Order Routing Technology for Traders (SORTT), which features the ability to ensure Regulation NMS compliance as well as to break apart an electronic order and send it to multiple execution venues to gain price improvement.

In the second quarter of 2005, we entered into an exclusive license agreement to license globally in perpetuity the source code for Telerate's TRS and Active8 technology from Reuters Limited and Moneyline Telerate. Under the terms of the license, we are entitled to use and further develop the TRS technology and the Active8 technology to offer our own market data platform and associated data display workstation worldwide. Based on the TRS technology, we launched the HMDP product. HMDP integrates market data from many sources into many types of display or application software - transactional, web distribution, risk management, or other mid- and back-office system. Based on the Active8 technology, we launched the OCC product to work with HMDP. OCC is a professional financial desktop application that is fully customizable for various classes of end users. HMDP and OCC expand our product line and we intend to market them globally. We have recorded the \$1.1 million license fee as an asset under licensed and developed software costs with the corresponding liability recorded under accounts payable. The license fee is due in two installments with 25% payable January 15, 2006 and the remainder payable January 15, 2007. As a result of the issues referenced in Item 1 - Business, we did not pay the portion of the license fee due in January 2006.

In the third quarter of 2005, we entered into an exclusive, multi-year distributor agreement with MarketXS, a leading European provider of real-time market data technology and trading solutions, that gives MarketXS the right to license, distribute, and support HyperFeed's HMDP and OCC products in Europe, the Middle East, and Africa. We plan to provide software upgrades, maintenance and second level support, while MarketXS is expected to provide European development, technical sales, and first level maintenance support. The term of the distributor agreement varies, with certain elements extending through January 2015. Additionally, in the third quarter of 2005, we expanded our HTPX technology by leveraging the Chicago Board Options Exchange's TickerXpress offering to include Remote TickerXpress, which combines an ultra-low-latency data feed with HyperFeed's ticker plant technology.

Total revenue for 2005 decreased 28.4% to \$4.3 million compared with \$6.0 million for 2004. However, total revenue for 2004 included \$3.6 million from Telerate. Due to the termination of the agreements between Telerate and HyperFeed in November 2004, we did not recognize revenue from Telerate in 2005. During 2005, we entered into thirty agreements, directly and through channel partners, from which we expect to recognize \$3.5 million in revenue principally over the next two to three years. In 2004, we entered into eighteen agreements from which we expect to recognize \$1.3 million in revenue over two to three years. To date, we have recognized \$0.7 million from the agreements entered into in 2005 and \$6.1 million from the agreements entered into in 2004.