

QUOTESMITH COM INC
Form PRER14A
June 29, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 3)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Quotesmith.com, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
- (1) Title of each class of securities to which transaction applies:
Common Stock, par value \$0.003 per share, of Quotesmith.com, Inc.
-
- (2) Aggregate number of securities to which transaction applies:
2,363,636
-
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
\$5.30, which is the average of the bid and asked prices of Quotesmith.com, Inc. common stock on March 2, 2004, as reported on the Nasdaq SmallCap Market
-
- (4) Proposed maximum aggregate value of transaction:
\$13,000,000

(5) Total fee paid:
\$1,647

ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Quotesmith.com, Inc.
8205 South Cass Avenue, Suite 102
Darien, Illinois 60561

Dear Stockholders of Quotesmith.com, Inc.:

On May 7, 2004, we acquired substantially all of the assets of Life Quotes, Inc., or Life Quotes, a domestic insurance agency that solicited business from prospective customers in all 50 states, together with certain real estate owned by an affiliate of the sole stockholder of Life Quotes, for aggregate consideration of approximately \$18.4 million, after adjustments and prorations. We funded this acquisition by borrowing \$6,500,000 from Zions Bancorporation, or Zions, and by using cash on hand. We did not acquire the entity Life Quotes, Inc. We intend to issue 2,363,636 shares of our common stock to Zions resulting in \$13,000,000 in gross proceeds. The proceeds of this stock issuance will be used to repay the loan from Zions and for general corporate purposes. The assets of Life Quotes and the related real estate are owned by a wholly-owned subsidiary of Quotesmith.com.

We entered into a stock purchase agreement with Zions on March 1, 2004 which was subsequently amended on May 7, 2004. Under the terms of the stock purchase agreement, we have agreed to issue 2,363,636 shares of our common stock to Zions for \$13,000,000 in gross proceeds. The common stock to be issued to Zions will not be registered, and will be restricted following the stock issuance. In connection with the issuance of stock to Zions, we have entered into an investor rights agreement with Zions, Messrs. Bland and Thoms, their spouses, and the partnership through which Mr. and Mrs. Bland hold their common stock whereby we have agreed, among other things, to increase the size of our Board of Directors by one member and to nominate an individual designated by Zions to serve on the Board of Directors. Messrs. Bland and Thoms, their spouses and the partnership through which Mr. and Mrs. Bland hold their common stock have agreed to vote all of their shares of common stock in favor of such individual. In accordance with the investor rights agreement, Zions has designated as its nominee, and we have nominated for election as director, John B. Hopkins. In addition, Messrs. Bland and Thoms, together with their spouses and the partnership through which Mr. and Mrs. Bland hold their common stock, entered into voting agreements with Zions on May 7, 2004 whereby these persons have agreed, among other things, to vote their shares of our common stock (which represents over 60% of our outstanding common stock) in favor of the stock issuance to Zions. This number is sufficient to approve the stock issuance to Zions.

In connection with the Life Quotes acquisition, we have agreed to establish the Quotesmith.com, Inc. 2004 Non-Qualified Stock Option Plan, or the Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain former employees of Life Quotes who continue to work for us.

The enclosed proxy statement also contains annual meeting proposals for the election of two directors and the ratification of Ernst & Young LLP as our independent auditors for 2004.

Our common stock is listed on the Nasdaq SmallCap Market under the ticker symbol "QUOT." In compliance with Nasdaq rules, we will seek stockholder approval of (i) the issuance of our common stock to Zions and (ii) the establishment of the Life Quotes employee stock option plan at our annual meeting of stockholders on [], 2004 to be held at our offices at 8205 South Cass Avenue, Suite 102, Darien, Illinois 60561, at 9:00 a.m., Chicago time. At our annual meeting of stockholders we will also conduct an election for two directors to serve until the 2007 annual meeting and seek ratification of the appointment of Ernst & Young LLP as our independent auditors for 2004.

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Our Board of Directors has unanimously approved (i) the issuance of shares of our common stock to Zions and recommends that you vote in favor of the issuance of shares of our common stock to Zions and (ii) the establishment of the Life Quotes employee stock option plan and recommends that you vote in favor of establishing the Life Quotes employee stock option plan. In addition, our Board of Directors recommends that you vote in favor of the nominees for election to the Board of Directors and in favor of ratifying Ernst & Young LLP as our independent auditors for 2004.

You are not entitled to dissenter's or appraisal rights in connection with the issuance of our common stock to Zions. The holders of more than 60% of our common stock outstanding prior to the stock issuance have agreed to vote in favor of the proposals. This number is sufficient to approve of the stock issuance to Zions. Following the stock issuance, Zions will own approximately 32.3% of our outstanding common stock, and approximately 29% of our common stock on a fully-diluted basis.

We urge you to consider carefully all of the information provided in this proxy statement and its attachments, including a copy of Mystic Capital fairness opinion attached as **Annex A-1**, the executive summary of the real estate appraisal attached as **Annex A-2**, the asset purchase agreement attached as **Annex A-3**, the stock purchase agreement attached as **Annex A-4**, the real property purchase agreement attached as **Annex A-5**, the investor rights agreement attached as **Annex A-6**, the Voting Agreements attached as **Annexes A-7** and **A-8**, the Non-Competition Agreement attached as **Annex A-9**, the Agency Agreement attached as **Annex A-10**, the amendment to the Stock Purchase Agreement attached as **Annex A-11**, and the Life Quotes employee stock option plan attached as **Annex A-12**. In particular, you should consider carefully the "Risk Factors" beginning on page 25 of this proxy statement.

Your vote is important, regardless of the number of shares you own. If you are a stockholder of record, you may vote by mailing the enclosed proxy card in the envelope provided or by attending the annual meeting in person. To approve the proposals submitted to you, vote "FOR" the proposals by following the instructions in the proxy statement and on the enclosed proxy card. If your shares are held in "street name" (that is, held for your account by a broker or other nominee), you will receive instructions from the holder of record that you must follow for your shares to be voted.

Sincerely,

Robert S. Bland
Chairman of the Board, President and
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of this transaction or the securities to be issued or passed upon the adequacy or accuracy of this proxy statement. Any representation to the contrary is a criminal offense.

This proxy statement is dated [], 2004 and is first being mailed to Quotesmith.com stockholders on or about [], 2004.

Quotesmith.com, Inc.
8205 South Cass Avenue, Suite 102
Darien, Illinois 60561

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON [], 2004

The 2004 Annual Meeting of Stockholders of Quotesmith.com, Inc., a Delaware corporation will be held at our offices at 8205 South Cass Avenue, Suite 102, Darien, Illinois 60561, on [], 2004 at 9:00 a.m., Chicago time, for the following purposes:

1. To approve the issuance of 2,363,636 shares of our common stock to Zions Bancorporation, or Zions, for \$13,000,000 in gross proceeds pursuant to the stock purchase agreement entered into on March 1, 2004 (as subsequently amended on May 7, 2004), by and between Quotesmith.com and Zions and the related investor rights agreement dated March 1, 2004, by and among Quotesmith.com, Zions, Messrs. Bland and Thoms, their spouses and the partnership through which Mr. and Mrs. Bland hold their common stock. The proceeds of the stock issuance will be used to repay the \$6,500,000 loan we received from Zions on May 7, 2004 to fund a portion of our acquisition of substantially all of the assets Life Quotes, Inc., or Life Quotes, and certain real estate owned by an affiliate of the sole stockholder of Life Quotes, and for general corporate purposes. The assets of Life Quotes and the related real estate are owned and operated by Life Quotes Acquisition, Inc., our wholly-owned subsidiary;
2. To approve the establishment of the Quotesmith.com, Inc. 2004 Non-Qualified Stock Option Plan, or Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain former employees of Life Quotes who continue to work for us;
3. To elect two persons to our Board of Directors to serve until the 2007 Annual Meeting of Stockholders;
4. To ratify the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2004; and
5. To transact such other business as may properly come before the annual meeting or any adjournment thereof.

The accompanying proxy statement describes the acquisition and the stock issuance in more detail. We encourage you to read the entire document and each of its attachments carefully.

Our Board of Directors has unanimously approved (i) the issuance of shares of our common stock to Zions and recommends that you vote in favor of the issuance of shares of our common stock to Zions and (ii) the establishment of the Life Quotes employee stock option plan and recommends that you vote in favor of establishing the Life Quotes employee stock option plan. In addition, our Board of Directors recommends that you vote in favor of the nominees for election to the Board of Directors and in favor of ratifying Ernst & Young LLP as our independent auditors for 2004.

The affirmative vote of a majority of the shares that are present, in person or by proxy, at the annual meeting and entitled to vote will be sufficient to approve the stock issuance and the establishment of the Life Quotes employee stock option plan. The affirmative vote of a plurality of such shares will be sufficient to elect each director. The affirmative vote of a majority of such shares will be sufficient to ratify the appointment of Ernst & Young LLP.

Stockholders of record as of the close of business on May 31, 2004, the record date, will be entitled to notice of and to vote at the annual meeting or any adjournment thereof. A list of stockholders entitled to vote at the annual meeting will be available for inspection by stockholders for

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any purpose germane to the annual meeting at our offices for the ten days immediately preceding the annual meeting date. Our Annual Report for the year ended December 31, 2003 is being mailed to all stockholders of record on the record date and accompanies the enclosed proxy statement.

Whether or not you plan to attend the annual meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. Your proxy may be revoked in the manner described in the proxy statement at any time before it has been voted at the annual meeting.

By Order of the Board of Directors,

Robert S. Bland
Chairman of the Board, President and
Chief Executive Officer

Darien, Illinois
[], 2004

**YOUR VOTE IS IMPORTANT. PLEASE COMPLETE, SIGN, DATE AND RETURN YOUR
PROXY PROMPTLY WHETHER OR NOT YOU PLAN TO ATTEND.**

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FORWARD LOOKING STATEMENTS

Because we want to provide you with more meaningful and useful information, this proxy statement includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have attempted to identify these forward-looking statements by using words such as "may," "will," "expects," "anticipates," "believes," "intends," "estimates," "could," or similar expressions. These forward-looking statements are based on information currently available to us and are subject to a number of risks in 2004 and beyond which may differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties, and other factors include, without limitation, the following:

the benefits expected to result from the acquisition of substantially all of the assets of Life Quotes and the related real estate;

the benefits expected to result from the issuance of shares of Quotesmith.com common stock to Zions in connection with the acquisition;

the performance and financial condition of Quotesmith.com, Life Quotes or the combined company following the acquisition;

our ability to achieve or sustain profitability;

demand for life insurance;

providing accurate insurance quotes;

our ability to manage our expenses, quickly respond to changes in our marketplace and meet consumer expectations;

the complexity of our technology and our use of our technology;

our ability to hire and retain senior management and other qualified personnel;

intense competition in the insurance industry;

our ability to keep pace with technological changes and future regulations affecting our business;

constraints of the systems we employ; and

our ability to raise additional capital if necessary.

See the section of the proxy statement entitled "Risk Factors" beginning on page 25 for a description of these and other risks, uncertainties, and factors.

You should not place undue reliance on any forward-looking statements. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances, or any other reason after the date of this proxy statement. Unless otherwise expressly stated, all references to "we," "us," "our," "Quotesmith," and the "Company" refer to Quotesmith.com, Inc. and its subsidiaries. The information contained on our Web sites, or Web sites that are linked to our Web sites, is not incorporated herein by reference.

SUMMARY TERM SHEET

This term sheet is a summary of the material terms of our recently completed acquisition of the business formerly conducted by Life Quotes, Inc., or Life Quotes, and our proposed issuance of shares of our common stock to Zions Bancorporation, or Zions. This term sheet does not contain all of the information regarding the acquisition or the stock issuance that you may consider important.

We acquired substantially all of the assets and related real estate of Life Quotes on May 7, 2004, for aggregate consideration of approximately \$18.4 million, after adjustments and prorations (see "The Asset Purchase Agreement" on page 58).

The assets and related real estate, which we believe will be sufficient to enable us to operate the business in which Life Quotes was engaged in the same manner as it was operated prior to the acquisition, are owned and operated by a wholly-owned subsidiary of ours.

We funded this acquisition by borrowing \$6,500,000 from Zions and by using cash on hand (see "The Asset Purchase Agreement Source of Funds" on page 60).

We intend to issue 2,363,636 shares of our common stock to Zions, resulting in \$13,000,000 in gross proceeds, which will be used to repay the loan from Zions and for general corporate purposes (see "The Stock Purchase Agreement" on page 62).

The holders of over 60% of our outstanding common stock as of the date hereof have entered into voting agreements with Zions whereby they have agreed, among other things, to vote all of their shares in favor of the stock issuance to Zions (see "Other Agreements Voting Agreements" on page 70).

Certain of our stockholders have agreed to vote in favor of a Zions nominee to our board (see "Other Agreements Investor Rights Agreement" on page 67.)

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Q: Who is making this proxy solicitation?

A: We are making the solicitation at the direction of our Board of Directors.

Q: Do any directors or executive officers of Quotesmith.com have any direct or indirect interest in the stock issuance or the acquisition?

A: Messrs. Bland and Thoms are party to the investor rights agreement and have been granted a right of first refusal with respect to Zions' shares under certain circumstances. See "Proposal 1. Approval of Stock Issuance to Zions Bancorporation Other Agreements Interests of Affiliates in the Stock Issuance."

Q: Who has the right to vote at the annual meeting?

A: Only holders of our common stock of record as of May 31, 2004 may vote at the annual meeting.

Q: What should I do now?

A: Just indicate on your proxy card how you want to vote, and sign, date and mail it in the enclosed envelope as soon as possible, so that your shares will be represented at the meeting.

Q: When and where will the annual meeting take place?

The meeting will take place at 9:00 a.m. on [], 2004 at our offices at 8205 South Cass Avenue, Suite 102, Darien, Illinois 60561. You may attend the meeting and vote your shares in person, rather than voting by proxy.

Q: Are you entitled to dissenter's or appraisal rights?

A: No. You are not entitled to dissenter's or appraisal rights in connection with the acquisition or the stock issuance.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: No. Your broker will vote your shares of common stock only if you provide instructions on how to vote. You should instruct your broker how to vote your shares following the directions your broker provides you. If you do not provide instructions to your broker, your shares will not be voted.

Q: Can you change your vote after you have mailed in your proxy?

A: Yes. You may revoke a proxy at any time before the meeting is convened by filing with the secretary of Quotesmith.com an instrument of revocation or a duly executed proxy bearing a later date. You may also revoke a proxy by attending the annual meeting and voting in person, although attendance at the annual meeting will not, in and of itself, constitute a revocation of proxy.

Q: When is the stock issuance expected to be completed?

A: We anticipate completing the stock issuance shortly after the annual meeting, subject to satisfaction of the closing conditions under the stock purchase agreement.

Q: Who can help answer my questions?

A: If you want additional copies of this document, or if you want to ask any questions about the stock issuance or any other matter set forth in this proxy statement, you should contact: Phillip Perillo, Chief Financial Officer, Quotesmith.com, Inc., (630) 515-0170.

SUMMARY

This summary highlights all of the material information contained in the proxy statement, but may not contain all of the information that is important to you. Although all material information regarding the transactions is contained in this proxy statement, you should read carefully this entire document, including the appendices and the other documents to which we refer you, for a more complete understanding of the transactions that are the subject of this proxy statement.

The Companies (Pages 72 90)

Quotesmith.com, Inc.
8205 South Cass Avenue, Suite 102
Darien, Illinois 60561
(630) 515-0170
www.insure.com

We are an insurance agency and brokerage headquartered in Darien, Illinois. We own and operate a comprehensive online consumer insurance information service, accessible at *www.insure.com*, which caters to the needs of self-directed insurance shoppers. Since our inception in 1984, we have been continuously developing a proprietary and comprehensive insurance price comparison and order-entry system that provides instant quotes from over 200 insurance companies for numerous life and health insurance products. We use this database to provide customers with a large array of comparative life and health insurance quotes online, over the phone or by mail, and we allow the customer to purchase insurance from the company of their choice either online or over the phone with our licensed insurance customer service staff. Our website also provides insurance information and decision-making tools, along with access to other forms of personal insurance, such as auto, homeowners, renters, long-term care and travel insurance through various partners. We generate revenues from the receipt of commissions paid by insurance carriers, which are tied directly to the volume of insurance sales that we produce. We also generate revenue from the sale of online traffic to third parties that provide lines of insurance that we do not provide as a broker, such as auto and homeowners insurance. In these cases, the revenue we receive is tied directly to the volume of online traffic we provide. We conduct our insurance agency and brokerage operations primarily using salaried, non-commissioned personnel and we generate prospective customer interest using traditional direct response advertising methods conducted primarily offline.

For the seven-year period ended December 31, 2003, we have spent a total of \$57.3 million in direct-to-consumer advertising and have sold approximately 133,000 new policies. During that same period, we have generated revenues of \$62.8 million and incurred net losses of \$43.7 million.

We previously acquired selected assets of Insurance News Network, LLC, including its content-rich consumer information website, *www.insure.com*, on December 7, 2001. Insure.com provided insurance-related information and decision-making tools, along with library of thousands of insurance articles that are well organized and served up in an easy-to-navigate format. This information has been integrated with our insurance quoting services.

Shares of Quotesmith.com trade on the Nasdaq SmallCap Market under the symbol "QUOT." Information on Quotesmith.com's website does not constitute a part of this proxy statement. All common stock and per share information in this proxy statement has been retroactively adjusted to reflect a one-for-three reverse stock split that became effective on March 7, 2001.

Life Quotes, Inc.
32045 Castle Court
Evergreen, Colorado 80439
800-670-5433

Life Quotes was founded in 1979 as a traditional life insurance agency. Instead of meeting with customers face-to-face, Life Quotes sells insurance by phone, fax, email and/or mail. People who need life insurance find Life Quotes through radio, television and internet advertising. Prior to the acquisition, Life Quotes employed over 80 people.

The Transactions (Pages 39 43)

On May 7, 2004, we acquired substantially all of the assets of Life Quotes, a domestic insurance agency that solicited business from prospective customers in all 50 states, together with certain real estate owned by an affiliate of the sole stockholder of Life Quotes, for aggregate consideration of approximately \$18.4 million, after adjustments and proratons. We expect that the assets we acquired, together with the real estate, will be sufficient to enable us to operate the business in which Life Quotes was engaged in the same manner as it was operated prior to the acquisition. We funded this acquisition by using cash on hand and by borrowing \$6,500,000 from Zions. We intend to repay the loan from Zions with a portion of the proceeds from the issuance of 2,363,636 shares of our common stock to Zions. The remainder of the \$13,000,000 in gross proceeds of this stock issuance will be used for general corporate purposes. The assets of Life Quotes and the related real estate are owned by a wholly-owned subsidiary of Quotesmith.com.

In connection with the acquisition of the assets of Life Quotes, we have agreed to establish the Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain former employees of Life Quotes who continue to work for us.

The Stock Issuance (Page 62)

Pursuant to the stock purchase agreement we entered into with Zions on March 1, 2004 (as subsequently amended on May 7, 2004), we have agreed to issue and sell to Zions, and Zions has agreed to purchase, 2,363,636 shares of our common stock, which includes an equal number of shares of our preferred share purchase rights, at an aggregate purchase price of \$13,000,000, or approximately \$5.50 per share, representing a 3.6% premium to the last sale price of our common stock on March 2, 2004, the last day prior to the public announcement of the stock purchase agreement and the asset purchase agreement, which was \$5.30, the average of the bid and asked prices of our common stock, as reported on the Nasdaq SmallCap Market on March 2, 2004. The last sale price of our common stock on May 27, 2004, the last practicable date for which results were available for inclusion in this proxy statement, was \$5.50, which is the average of the bid and asked prices of our common stock, as reported on the Nasdaq SmallCap Market, representing no discount to the price Zions is paying. Subject to the satisfaction of the conditions set forth in the stock purchase agreement, the closing of the issuance and sale of such common stock will occur shortly after the annual meeting. The common stock to be issued to Zions will not be registered, and will be restricted following the stock issuance. In connection with the issuance of stock to Zions, we have entered into an investor rights agreement with Zions, Messrs. Bland and Thoms, their spouses, and the partnership through which Mr. and Mrs. Bland hold their common stock whereby we have agreed, among other things, to increase the size of our Board of Directors by one member and to nominate an individual designated by Zions to serve on the Board of Directors. These persons have agreed to vote all of their shares of common stock in favor of such individual. In accordance with the investor rights agreement, Zions has designated as its nominee, and we have nominated for election as director, John B. Hopkins. In addition, Messrs. Bland and Thoms, together with their spouses and the partnership through which Mr. and Mrs. Bland hold their

common stock, have entered into voting agreements with Zions whereby these persons have agreed, among other things, to vote all of their shares in favor of the stock issuance to Zions.

Material Conditions to the Stock Issuance (Page 64)

Zions' obligation to consummate the stock issuance is subject to the satisfaction or waiver of certain conditions, including the following:

There must be no event or circumstance that had or would reasonably be expected to have a material adverse effect on us;

We must have filed all notices and obtained all consents required to be filed or obtained by us;

The issuance of the stock by us must be legal, and there must be no order or action pending or threatened preventing or seeking to prevent the proposed issuance of such stock or the other transactions contemplated by the stock purchase agreement and the investor rights agreement;

Our Board must have taken the requisite steps to increase the size of our Board of Directors by one member and appoint to our Board of Directors a director designated by Zions in accordance with the investor rights agreement;

All of our officers and employees must be bound by employment, confidentiality, non-compete, non-solicitation and work product agreements satisfactory to Zions;

Zions must have completed its due diligence investigation of us;

We must have amended our rights plan to exempt the issuance of the stock to Zions;

We must have obtained shareholder approval of the issuance of the stock to Zions; and

Amendments and waivers of "change of control" provisions of the employment agreements of Robert S. Bland and William V. Thoms must have been obtained.

Termination of the Stock Purchase Agreement (Page 65)

The stock purchase agreement may be terminated at any time prior to the closing:

by mutual consent of us and Zions;

by either us or Zions if there has been a material breach of any representation, warranty, covenant or agreement on the part of the other set forth in the stock purchase agreement, which breach has not been cured within five business days after the breaching party receives notice of such breach, or if any order preventing the consummation of the transactions contemplated by the stock purchase agreement or the investor rights agreement has become final and non-appealable; or

by either us or Zions, so long as such party has not materially breached its obligations under the stock purchase agreement, if the closing has not occurred on or before November 7, 2004.

The Investor Rights Agreement (Pages 67 69)

In connection with the stock purchase agreement, we entered into an investor rights agreement with Zions, Messrs. Bland and Thoms, their spouses, and the partnership through which Mr. and Mrs. Bland hold their common stock. After giving effect to the stock issuance, the number of shares and percentage ownership of each of Messrs. Bland and Thoms and Zions, based on shares held and outstanding on June 22, 2004, would be as follows:

Name	Shares Owned	Percentage Ownership
Mr. Bland, spouse and partnership	2,356,445	32.2%
Mr. Thoms and spouse	690,500	9.4%
Zions	2,363,636	32.3%
	6	

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The investor rights agreement provides certain demand registration rights to the holders of the stock we are issuing to Zions, as well as piggyback registration rights. In addition, the investor rights agreement provides Zions with certain rights for so long as Zions holds 40% of the shares of stock it purchases under the stock purchase agreement, including that:

Zions will have preemptive rights to subscribe for future issuances of our capital stock or securities convertible into or exercisable for shares of our capital stock, other than issuances under certain authorized or issued options, under our employee stock purchase plan or in a registered offering;

We will comply with certain covenants regarding the operation of our business (including a change in our line of business) and the provision of financial and other information;

The number of directors on our Board of Directors will be fixed at seven. Zions will be entitled to designate an individual to serve on the Board of Directors. Pursuant to the terms of the investor rights agreement, we have agreed to nominate, and Messrs. Bland and Thoms, together with their spouses and the partnership through which Mr. and Mrs. Bland hold their common stock, have agreed to vote all of their shares of common stock in favor of, such individual for election to the Board of Directors;

The consent of the majority of our Board of Directors will be required for us to take certain actions, and the consent of 75% of the members of our Board of Directors will be required for us to take certain other actions

We also agreed to maintain certain directors' and officers' liability insurance for Zions' nominee, and to indemnify and hold harmless such director to the same extent as all of our other directors.

Zions has agreed that, without the consent of a majority of our Board of Directors, it and its affiliates will not, prior to the first anniversary of the date of the investor rights agreement:

Acquire any additional shares of our common stock;

Initiate a special meeting of our stockholders to elect directors;

Make any agreement with respect to voting of our common stock or deposit our common stock in a voting trust;

Other than the Zions nominee, seek the election of any member of our Board of Directors except as nominated by our nominating committee, or seek the removal of any director;

Request us to amend or waive these restrictions;

Participate in any solicitation of proxies to vote, or seek to advise or influence any person with respect to the voting of, our voting securities;

publicly announce or submit a proposal for any extraordinary transaction involving us or our securities or assets; or

form or join in a "group" (as defined in the rules promulgated by the SEC) in connection with the foregoing.

In addition, Messrs. Bland and Thoms, their spouses, and the partnership through which Mr. and Mrs. Bland hold their common stock each agreed that, for so long as Zions holds 40% of the shares of stock it purchases under the stock purchase agreement, they will vote for the Zions nominee to our Board of Directors. In addition, these persons have granted tag-along rights to Zions for so long as Zions holds 40% of the shares of stock it purchases under the stock purchase agreement. This means that if any of these persons proposes to sell any of our common stock, subject to certain exceptions, they will afford Zions the right to participate proportionately in such sale based on the total number of shares

owned by Zions divided by the total number of shares owned by Zions and the seller or sellers

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(in each case, on a fully-diluted basis determined as of the close of business on the day immediately prior to the tag-along notice date).

These persons also granted to Zions, and Zions granted to these persons and to us, a right of first refusal with respect to certain transfers of their shares of common stock.

The Life Quotes Acquisition (Pages 58 61)

We acquired substantially all of the assets of Life Quotes and assumed certain specified liabilities on May 7, 2004. We also acquired the real property previously used by Life Quotes. We expect that the assets we acquired, together with the real estate, will be sufficient to enable us to operate the business in which Life Quotes was engaged in the same manner as it was operated prior to the acquisition. We used the proceeds of a \$6,500,000 loan from Zions, together with cash on hand, to consummate the acquisition.

Purchase Price (Page 59)

We acquired the assets in exchange for the assumption of certain Life Quotes liabilities and payment of \$13,364,308 in cash, after adjustments. Of such cash, at closing, \$13,011,308 was paid to Life Quotes and \$353,000 was deposited with an escrow agent in accordance with an escrow agreement. Under the escrow agreement, within thirty days after May 7, 2005, we will deliver to Life Quotes a statement setting forth the amount of accounts receivable arising out of the conduct of Life Quotes' business that we collected in such one year period. If the amount of accounts receivable exceeds \$2,450,000, then the entire \$353,000 placed in escrow (less \$3,000 in escrow fees) will be paid to Life Quotes. However, if the amount of accounts receivable is less than \$2,450,000, then the difference will be paid to us from the escrowed cash, and the remainder will be paid to Life Quotes. If the shortfall exceeds \$350,000, we will be paid the entire escrowed amount but will not be able to recover any additional sums from Life Quotes or Kenneth L. Manley. The amount of accounts receivable as of May 31, 2004 were \$1,564,000.

We also acquired certain property in Evergreen, Colorado that was used by Life Quotes in its business for an additional \$4,991,947, after customary prorations. We have also agreed to establish the Life Quotes employee stock option plan, pursuant to which options to purchase up to 300,000 shares of our common stock may be granted to certain former employees of Life Quotes who continue to work for us.

Information about the Annual Meeting (Pages 35 37)

The annual meeting of Quotesmith.com will be held on [], 2004, at our offices at 8205 South Cass Avenue, Suite 102, Darien, Illinois 60561, at 9:00 a.m., Chicago time. The meeting will be held for the following purposes:

- to approve the stock issuance;
- to approve the establishment of the Life Quotes employee stock option plan;
- to elect two directors to serve until the 2007 Annual Meeting of Stockholders;
- to ratify the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2004; and
- to transact such other business as may properly come before the annual meeting or any adjournment thereof.

SELECTED FINANCIAL AND OTHER DATA OF QUOTESMITH.COM

The historical statement of operations data and balance sheet data in the table below is derived from our financial statements. This data should be read in conjunction with "Quotesmith.com Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the financial statements, related notes, and other financial information included elsewhere in this proxy statement. The historical results presented below are not necessarily indicative of the results to be expected for any future period.

	Year Ended December 31,					Quarter Ended March 31,	
	2003	2002	2001	2000	1999	2004	2003
(in thousands, except per share data)							
Statement of Operations Data:							
Revenues	\$ 9,737	\$ 10,777	\$ 8,851	\$ 15,236	\$ 8,408	\$ 2,452	\$ 2,572
Expenses:							
Selling and marketing	4,735	2,912	7,052	24,201	14,397	1,360	1,303
Operations	3,394	7,756	6,004	7,445	5,481	897	972
General and administrative	3,349	3,194	3,503	4,432	3,570	901	801
Total expenses	11,478	13,862	16,559	36,078	23,448	3,158	3,076
Operating loss	(1,741)	(3,085)	(7,708)	(20,842)	(15,040)	(706)	(504)
Interest income, net	368	359	1,075	2,220	1,220	86	92
Realized gain on sale of securities	92					0	
Net loss	\$ (1,281)	\$ (2,726)	\$ (6,633)	\$ (18,622)	\$ (13,820)	\$ (620)	\$ (413)
Basic and diluted net loss per share	\$ (0.26)	\$ (0.55)	\$ (1.22)	\$ (2.93)	\$ (2.64)	\$ (0.12)	\$ (0.08)
Weighted average common shares and equivalents outstanding, basic and diluted	4,917	4,964	5,441	6,366	5,237	4,958	4,909
	December 31,					March 31,	
	2003	2002	2001	2000	1999	2004	
(in thousands, except per share data)							
Balance Sheet Data:							
Cash and equivalents	\$ 677	\$ 1,640	\$ 4,033	\$ 4,269	\$ 8,990	\$ 1,165	
Working capital	5,607	10,485	18,514	27,443	48,308	7,702	
Total assets	17,526	19,559	23,000	32,643	55,178	17,166	
Long-term liabilities		35	84	128			
Total liabilities	760	1,464	1,085	2,976	5,982	926	
Total stockholders' equity	16,766	18,095	21,915	29,667	49,196	16,239	
	Year Ended December 31,					Quarter Ended March 31,	
	2003	2002	2001	2000	1999	2004	2003
Selected Operating Statistics:							
Completed quotes							
Term life	866,000	1,266,000	1,425,000	2,105,000	1,496,000	308,000	244,000
Health and other	960,000	1,305,000	876,000	1,993,000	963,000	293,000	351,000

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	Year Ended December 31,					Quarter Ended March 31,	
Total completed quotes	1,826,000	2,571,000	2,328,000	4,098,000	2,459,000	601,000	595,000
Policies sold							
Term life	11,011	16,498	16,915	33,491	17,093	2,521	2,816
Health and other	4,845	4,753	3,367	4,029	747	1,117	1,217
Total policies sold	15,856	21,251	20,282	37,520	17,786	3,658	4,033

Selected Quarterly Operating Results

The following tables set forth unaudited quarterly statements of operations data for 2003 and 2002. The information for each of these quarters has been prepared on substantially the same basis as the audited financial statements included elsewhere in this annual report, and, in our opinion, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for these periods. Historical results are not necessarily indicative of the results to be expected in the future, and results of interim periods are not necessarily indicative of results for the entire year.

2003	Quarter Ended			
	Mar. 31,	June 30,	Sept. 30,	Dec. 31,
	(in thousands, except per share data)			
Revenues	\$ 2,572	\$ 2,510	\$ 2,430	\$ 2,225
Expenses:				
Selling and marketing	1,303	1,356	1,076	1,001
Operations	972	837	835	749
General and administrative	801	816	929	803
Total expenses	3,076	3,009	2,840	2,553
Operating loss	(504)	(499)	(410)	(328)
Interest income, net	91	98	91	88
Realized gains (losses) on sale of securities		93		(1)
Net loss	\$ (413)	\$ (308)	\$ (319)	\$ (241)
Net loss per share basic and diluted	\$ (0.08)	\$ (0.06)	\$ (0.06)	\$ (0.05)
	Quarter Ended			
2002	Mar. 31,	June 30,	Sept. 30,	Dec. 31,
	(in thousands, except per share data)			
Revenues	\$ 2,572	\$ 3,194	\$ 2,667	\$ 2,344
Expenses:				
Selling and marketing	588	667	622	1,035
Operations	1,933	2,014	2,280	1,529
General and administrative	853	811	781	749
Total expenses	3,374	3,492	3,683	3,313
Operating loss	(802)	(298)	(1,016)	(969)
Interest income, net	102	76	84	97
Net loss	\$ (700)	\$ (222)	\$ (932)	\$ (872)
Net loss per share basic and diluted	\$ (0.14)	\$ (0.04)	\$ (0.19)	\$ (0.18)

SELECTED FINANCIAL DATA OF LIFE QUOTES

The historical statement of operations data and balance sheet data in the table below is derived from the audited financial statements of Life Quotes as of and for the years ended December 31, 2003 and 2002 and from the unaudited books and records of Life Quotes for all other periods. The historical results presented below are not necessarily indicative of the results to be expected for any future period.

	Year ended December 31,					Quarter ended March 31,	
	2003	2002	2001	2000	1999	2004	2003
	(unaudited)					(unaudited)	
	(in thousands)					(in thousands)	
Summary of Operations Data:							
Revenues	\$ 10,407	\$ 8,941	\$ 5,760	\$ 8,003	\$ 4,472	\$ 3,045	\$ 2,644
Expenses:							
Salaries, wages and benefits	4,433	4,448	2,570	3,047	2,054	862	1,037
Selling and marketing	3,557	2,166	1,230	1,872	1,432	1,107	975
Other	1,297	1,543	1,614	1,274	408	294	462
Total expenses	9,287	8,157	5,414	6,193	3,894	2,263	2,474
Net income	1,120	784	346	1,810	578	782	170

	December 31,					March 31,	
	2003	2002	2001	2000	1999	2004	2003
	(unaudited)					(unaudited)	
	(in thousands)					(in thousands)	

Balance Sheet Data:							
Cash and equivalents (overdraft)	\$ (61)	\$ 37	\$ (45)	\$	\$	\$ 149	\$ (61)
Working capital	398	379	121	323	150	518	398
Total assets	710	675	637	582	232	854	710
Total liabilities	89	51	74	0	34	120	89
Total stockholder's equity	621	624	563	582	198	734	621

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The preliminary unaudited pro forma condensed combined balance sheet at March 31, 2004 and December 31, 2003 combines the historical consolidated balance sheets of Quotesmith.com and Life Quotes, giving effect to the acquisition as if it had been consummated on March 31, 2004 and December 31, 2003, respectively. The preliminary unaudited pro forma condensed combined income statement for the quarter ended March 31, 2004 and the year ended December 31, 2003 combines the historical consolidated income statements of Quotesmith.com and Life Quotes giving effect to the acquisition as if it had occurred on January 1, 2004 and January 1, 2003, respectively. We have adjusted the historical financial statements to give effect to pro forma events that are (1) directly attributable to the acquisition, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results. You should read this information in conjunction with the:

accompanying notes to the preliminary unaudited pro forma condensed combined financial statements;

our historical financial statements as of and for the quarter ended March 31, 2004 included elsewhere in this proxy statement;

our historical financial statements as of and for the year ended December 31, 2003 included elsewhere in this proxy statement;

Life Quotes' separate historical unaudited financial statements as of and for the quarter ended March 31, 2004 included elsewhere in this proxy statement; and

Life Quotes' separate historical audited financial statements as of and for the year ended December 31, 2003 included elsewhere in this proxy statement.

The preliminary unaudited pro forma condensed combined financial statements have been prepared for informational purposes only. The preliminary unaudited pro forma condensed combined financial statements are not necessarily indicative of what the financial position or results of operations actually would have been had the acquisition been completed at the dates indicated. In addition, the preliminary unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company. The preliminary unaudited pro forma condensed combined financial statements do not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies or asset dispositions.

The preliminary unaudited pro forma condensed combined financial statements have been prepared using the purchase method of accounting with Quotesmith.com treated as the acquirer. Accordingly, our cost to acquire Life Quotes has been allocated to the acquired assets and liabilities based upon their estimated fair values at the date indicated. The allocation of the purchase price is preliminary and is dependent upon certain valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the final purchase accounting adjustments may be materially different from the preliminary unaudited pro forma adjustments presented herein.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

At March 31, 2004

	Historical Quotesmith.com	Historical Life Quotes	Pro Forma Acquisition Adjustments	Pro Forma Combined	Pro Forma Stock Sale Adjustments	Pro Forma
(in thousands)						
Assets						
Cash equivalents	\$ 1,165	\$ 149	\$ (149) (a)	\$ 1,165	\$	\$ 1,165
Fixed maturity investments	5,633		(5,633) (b)		6,500 (l)	6,500
Commission receivable	1,177	490	1,478 (c)	3,145		3,145
Other current assets	655		(200) (d)	455		455
Total current assets	8,630	639	(4,504)	4,765	6,500	11,265
Fixed maturity investments	7,946		(6,233) (e)	1,723		1,723
Land			830 (f)	830		830
Building			4,670 (f)	4,670		4,670
Furniture, equipment and computer software	272	215		487		487
Intangible assets	318		3,700 (g)	4,018		4,018
Goodwill			7,173 h	7,173		7,173
Total Assets	\$ 17,166	\$ 854	\$ 5,646	\$ 23,666	\$ 6,500	\$ 30,166
Liabilities and stockholders' equity						
Accounts payable and accrued liabilities	\$ 928	\$ 120	\$ (120) (i)	\$ 928	\$	\$ 928
Note payable			6,500 (j)	6,500	(6,500) (m)	
Total liabilities	928	120	6,380	7,428	(6,500)	928
Stockholders equity:						
Common stock	22			22	7 (n)	29
Additional paid-in capital	64,076			64,076	12,993 (n)	77,069
Retained earnings (deficit)	(44,089)	734	(734) (k)	(44,089)		(44,089)
Treasury stock	(3,794)			(3,794)		(3,794)
Accumulated other comprehensive income	23			23		23
Total stockholders' equity	16,238	734	(734)	16,238	13,000	29,238
Total liabilities and stockholders' equity	\$ 17,166	\$ 854	\$ 5,646	\$ 23,666	\$ 6,500	30,166

See accompanying notes.

UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT

Three Months Ended March 31, 2004

	Historical Quotesmith.com	Historical Life Quotes	Pro Forma Acquisition Adjustments	Pro Forma Combined	Pro Forma Stock Sale Adjustments	Pro Forma
(in thousands, except per share data)						
Revenues:						
Commissions and fees	\$ 2,450	\$ 3,045	\$ (75) (o)	\$ 5,420		\$ 5,420
Other	2			2		2
Revenue	2,452	3,045	(75)	5,422		5,422
Expenses:						
Selling and marketing	1,360	1,107		2,467		2,467
Operations	897	1,156	107 (p)	2,160		2,160
General and administrative	901			901		901
Total expenses	3,158	2,263	107	5,528		5,528
Operating income (loss)	(706)	782	(182)	(106)		(106)
Interest income (expense), net	86		(133) (q)	(47)	103(r)	56
Realized gains on sale of securities						
Income (loss) before income taxes	(620)	782	(315)	(153)	103	(50)
Income tax credit						
Net income (loss)	\$ (620)	\$ 782	\$ (315)	\$ (153)	\$ 103	\$ (50)
Net loss per common share, basic and diluted	\$ (0.12)			\$ (0.03)		\$ (0.01)
Weighted average common shares and equivalents outstanding, basic and diluted	4,958,232			4,958,232	2,363,636(s)	7,321,868

See accompanying notes.

**NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED
FINANCIAL STATEMENTS**

Note 1 Basis of Pro Forma Presentation

On March 1, 2004 we entered into an asset purchase agreement with Life Quotes and a real estate purchase agreement with an affiliate of the sole stockholder of Life Quotes. Under the terms of the asset purchase agreement, we agreed to acquire substantially all of the assets of Life Quotes, and assume certain specified liabilities, for a payment of \$13,356,000, after adjustments, plus acquisition expenses of \$200,000. Under the terms of the real estate purchase agreement, we agreed to acquire the real property previously used by Life Quotes for a payment of \$5,000,000, subject to customary prorations at closing. The acquisition of the assets and the real estate was completed on May 7, 2004 using internal funds and borrowing \$6,500,000 from Zions under a loan agreement.

We also entered into a stock purchase agreement with Zions on March 1, 2004. Under the terms of the stock purchase agreement, we have agreed to issue 2,363,636 shares of our common stock to Zions for \$13,000,000 in gross proceeds. We will use the proceeds of the stock issuance to Zions to repay the loan and to replace a portion of the internal funds used for the acquisition.

The preliminary unaudited pro forma condensed combined balance sheet as of March 31, 2004 reflects the acquisition and the sale of common stock as if they occurred on March 31, 2004. The preliminary unaudited pro forma condensed combined income statement for the three months ended March 31, 2004 reflects the acquisition, including acquisition expenses, and the sale of common stock as if they occurred on January 1, 2004.

The purchase price, including acquisition expenses, has been allocated as follows based upon purchase accounting adjustments as of March 31, 2004 (in thousands):

Land and building(1)	\$	5,500
Accounts receivable(2)		1,968
Other tangible assets		215
Intangible assets(3)		3,700
Goodwill		7,173
		<hr/>
Allocated purchase price	\$	18,556
		<hr/>

(1) Represents adjustments for fair value.

(2) Represents adjustments to conform Life Quotes' accounting policy to ours (see Note 2).

(3) Represents identified finite life intangible assets, primarily customer-related insurance intangibles and a non-compete contract (see Note 3).

The above allocation of the purchase price is slightly different than the allocation shown in the notes to the preliminary unaudited pro forma condensed combined financial statements as of December 31, 2003, as the valuation of accounts receivable would have changed due to additional revenue and collections between December 31, 2003 and March 31, 2004, and the valuation of tangible assets changed due to a reduction in their fair value between December 31, 2003 and March 31, 2004.

The preliminary unaudited pro forma condensed combined financial statements presented herein are not necessarily indicative of the results of operations or the combined financial position that would have resulted had the acquisition been completed at the dates indicated, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined company.

The preliminary unaudited pro forma condensed combined financial statements have been prepared assuming that the acquisition is accounted for under the purchase method of accounting

(purchase accounting) with Quotesmith.com as the acquiring entity. Accordingly, under purchase accounting, the assets and liabilities of Life Quotes are adjusted to their fair value. For purposes of these preliminary unaudited pro forma condensed combined financial statements, consideration has also been given to the impact of conforming Life Quotes' accounting policies to ours. Additionally, certain amounts in the historical consolidated financial statements of Life Quotes have been reclassified to conform to our financial statement presentation. The preliminary unaudited pro forma condensed combined financial statements do not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies or asset dispositions.

The preliminary unaudited pro forma adjustments represent management's estimates based on information available at this time. Actual adjustments to the combined balance sheet and income statements will differ, perhaps materially, from those reflected in these preliminary unaudited pro forma condensed combined financial statements because the assets and liabilities of Life Quotes will be recorded at their respective fair values on the date the acquisition is consummated, and the preliminary assumptions used to estimate these fair values may change between now and the completion of the accounting for the acquisition. Estimated fair value adjustments to certain balance sheet amounts are preliminary and may change as a result of additional analysis. The final purchase accounting adjustments may be materially different from the preliminary unaudited pro forma adjustments presented herein.

The preliminary unaudited pro forma adjustments included herein are subject to other updates as additional information becomes available and as additional analyses are performed. The final allocation of the purchase price will be determined after the acquisition is consummated and after completion of a thorough analysis to determine the fair values of Life Quotes' tangible and identifiable intangible assets and liabilities. Accordingly, the final purchase accounting adjustments, including conforming of Life Quotes' accounting policies to ours, could be materially different from the preliminary unaudited pro forma adjustments presented herein. Any increase or decrease in the fair value of Life Quotes' assets, liabilities, commitments, contracts and other items as compared to the information shown herein will change the purchase price allocable to goodwill and may impact the combined income statements.

Note 2 Pro Forma Adjustments

The pro forma adjustments related to the preliminary unaudited pro forma condensed combined balance sheet as of March 31, 2004 assume the acquisition and the sale of common stock took place on March 31, 2004. The pro forma adjustments to the preliminary unaudited pro forma condensed combined income statement for the three months ended March 31, 2004 assumes the acquisition and the sale of common stock took place on January 1, 2004.

The following pro forma adjustments result from the allocation of the purchase price for the acquisition based on the fair value of the assets, liabilities and commitments acquired from Life Quotes

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and to conform Life Quotes' accounting policies to ours. The amounts and descriptions related to the preliminary adjustments are as follows:

		Increase (Decrease)
		As of March 31, 2004
		(in thousands)
Unaudited pro forma condensed combined balance sheet		
a)	Elimination of Life Quotes asset not acquired	\$ (149)
b)	Invested assets used to complete the acquisition	(5,633)
c)	Adjustment to conform the accounting policy for receivable and revenue recognition (see below)	1,478
d)	Transfer acquisition costs to assets acquired	(200)
e)	Invested assets used to complete the acquisition	(6,233)
f)	Acquisition of land and building at fair value	5,500
g)	Record the identifiable intangible assets related to the acquisition See Note 3	3,700
h)	Record the goodwill associated with the acquisition	7,173
i)	Eliminate Life Quotes liabilities not assumed	(120)
j)	Borrowing from Zions to complete the acquisition	6,500
k)	Eliminate Life Quotes retained earnings not acquired	(734)
l)	Invest proceeds of stock sale in excess of debt repayment	6,500
m)	Repay note payable with proceeds of stock sale	(6,500)
n)	Record issuance of common stock to Zions	13,000

		Increase (Decrease)
		Three months Ended
		March 31, 2004
		(in thousands)
Unaudited pro forma condensed combined income statement		
o)	Adjustment to conform the accounting policy for receivable and revenue recognition	\$ (75)
p)	Adjustments to record depreciation and amortization of acquired assets, and to eliminate rent expense	107
q)	Adjustment to recognized reduction in investment income for invested assets used to complete the acquisition (\$68) and interest expense on the note payable (\$65)	(133)
r)	Adjustment to reflect additional interest income earned on the investment of proceeds from the stock sale in excess of the debt repayment (\$38) and reduction of interest expense on the note payable (\$65)	103
s)	Record the sale of additional shares to Zions	2,363,636 shares

Regarding adjustment (c), above, our revenue recognition policy is to recognize annual first year commissions for term life business as revenues when the policy has been approved by the underwriter and an initial premium payment (which may be annual, semi-annual, quarterly or monthly) has been made by the customer and reported to us by the insurance carrier. An allowance, based on historical factors, is provided for estimated commissions that will not be received due to the nonpayment of installment premiums and premium refunds. Life Quotes' policy is to recognize annual first year commissions for term life business as revenues when notified by the insurance company that the commissions have been earned, meaning that the policyholder has paid the premium. Any subsequent premium refunds that resulted in commissions being returned to the insurance carriers would be recognized in the period in which the refund occurred. The difference in these two policies accounts

for the adjustment of \$1,478,000 noted above, which amounts to commissions due on first year term life policies that are in force but have remaining unpaid installments.

We intend to replace the quoting and order entry software now used by Life Quotes with the Quotesmith.com online order and case management software. The costs of this replacement have not yet been quantified, but are not expected to have a significant effect on the financial statements for 2004 since our software is proprietary, meaning that we can increase the number of users without an increase in any license fees, and Life Quotes already has most of the hardware necessary to run these systems. Therefore, no effect has been provided for these costs in the pro forma financial statements.

Note 3 Identified Intangible Assets

A summary of the significant identifiable intangible assets and their respective estimated useful lives is as follows:

	<u>Intangible Asset Balance</u>	<u>Estimated Useful Life</u>	<u>Amortization Method</u>
	(in thousands)		
Insurance contract renewals	\$ 3,500	10 years	Accelerated(a)
Non-compete agreement	200	6 years	Straight line
Total	\$ 3,700		

(a)

The fair value of insurance contract renewals was estimated based on the actual policies in force as of March 31, 2004, and the renewal commission rates paid by each insurance carrier. These commissions were estimated to have a maximum useful life of ten years, based on the terms of the contracts with the insurance carriers, and an annual lapse rate was applied to the expected renewals for each carrier based on historical trends. Finally, the estimated annual commission payment streams calculated by applying the lapse rates to the expected commissions were discounted at a rate of 4%, which was felt to be an appropriate rate to allow for both interest expense and risk, to determine a present value of \$3.5 million. Amortization will be on an accelerated basis, as renewal commissions will decline each year due to lapses. The ultimate realization of the value of the contract renewals is dependant on a number of factors, including actual lapse ratios, which can be affected by factors not under our control, such as death rates and the pricing level of insurance policies that could be purchased to replace the policies in the renewal stream. As a result, the actual amount realized from the contract renewals acquired may differ significantly from the amount recorded in the pro forma financial statements, causing impairment.

Note 4 Earnings Per Share

The pro forma earnings per common share data has been computed based on the combined historical income of Life Quotes and Quotesmith.com and the impact of pro forma adjustments. Weighted average shares were calculated using our historical weighted average common shares outstanding and the number of shares to be issued to Zions.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

At December 31, 2003

	Historical Quotesmith.com	Historical Life Quotes	Pro Forma Acquisition Adjustments	Pro Forma Combined	Pro Forma Stock Sale Adjustments	Pro Forma
(in thousands)						
Assets						
Cash equivalents	\$ 677	\$ (61)	\$ 61 (a)	\$ 677	\$	\$ 677
Fixed maturity investments	4,204		(4,204) (b)		6,500 (l)	6,500
Commission receivable	1,062	462	1,581 (c)	3,105		3,105
Other current assets	424	86	(86) (d)	424		424
Total current assets	6,367	487	(2,648)	4,206	6,500	10,706
Fixed maturity investments	10,346		(7,852) (e)	2,494		2,494
Land			830 (f)	830		830
Building			4,670 (f)	4,670		4,670
Furniture, equipment and computer software	375	223		598		598
Intangible assets	438		3,700 (g)	4,138		4,138
Goodwill			7,090 (h)	7,090		7,090
Total Assets	\$ 17,526	\$ 710	\$ 5,790	\$ 24,026	\$ 6,500	\$ 30,526
Liabilities and stockholders' equity						
Accounts payable and accrued liabilities	\$ 760	\$ 89	\$ (89) (i)	\$ 760	\$	\$ 760
Note payable			6,500 (j)	6,500	(6,500) (m)	
Total liabilities	760	89	6,411	7,260	(6,500)	760
Stockholders equity:						
Common stock	22			22	7 (n)	29
Additional paid-in capital	64,076			64,076	12,993 (n)	77,069
Retained earnings (deficit)	(43,469)	621	(621) (k)	(43,469)		(43,469)
Treasury stock	(3,794)			(3,794)		(3,794)
Accumulated other comprehensive income	(69)			(69)		(69)
Total stockholders' equity	16,766	621	(621)	16,766	13,000	29,766
Total liabilities and stockholders' equity	\$ 17,526	\$ 710	\$ 5,790	\$ 24,026	\$ 6,500	\$ 30,526

See accompanying notes.

UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT

Year Ended December 31, 2003

	Historical Quotesmith.com	Historical Life Quotes	Pro Forma Acquisition Adjustments	Pro Forma Combined	Pro Forma Stock Sale Adjustments	Pro Forma
(in thousands, except per share data)						
Revenues:						
Commissions and fees	\$ 9,718	\$ 10,369	\$ 177 (o)	\$ 20,264	\$	\$ 20,264
Other	19	38		57		57
Revenue	9,737	10,407	177	20,321		20,321
Expenses:						
Selling and marketing	4,735	3,557		8,292		8,292
Operations	3,395	4,087		7,482		7,482
General and administrative	3,349	1,643	188 (p)	5,180		5,180
Total expenses	11,479	9,287	188	20,954		20,954
Operating income (loss)	(1,742)	1,120	(11)	(633)		(633)
Interest income (expense), net	368		(569) (q)	(201)	426(r)	225
Realized gains on sale of securities	93			93		93
Income (loss) before income taxes	(1,281)	1,120	(580)	(741)	426	(315)
Income tax credit						
Net income (loss)	\$ (1,281)	\$ 1,120	\$ (580)	\$ (741)	\$ 426	\$ (315)
Net loss per common share, basic and diluted	\$ (0.26)			\$ (0.15)		\$ (0.04)
Weighted average common shares and equivalents outstanding, basic and diluted	4,917,314			4,917,314	2,363,636(s)	7,280,950

See accompanying notes.

**NOTES TO THE UNAUDITED PRO FORMA CONDENSED
COMBINED FINANCIAL STATEMENTS**

Note 1 Basis of Pro Forma Presentation

On March 1, 2004 we entered into an asset purchase agreement with Life Quotes and a real property purchase agreement with an affiliate of the sole stockholder of Life Quotes (each dated as of January 31, 2004). Under the terms of the asset purchase agreement, we agreed to acquire substantially all of the assets of Life Quotes, and assume certain specified liabilities, for a payment of \$13,356,000, after adjustments, plus acquisition expenses of \$200,000. Under the terms of the real property purchase agreement, we agreed to acquire the real property previously used by Life Quotes for a payment of \$5,000,000, subject to customary prorations at closing. The acquisition of the assets and the building was completed on May 7, 2004 by using internal funds and by borrowing \$6,500,000 from Zions under a loan agreement.

We also entered into a stock purchase agreement with Zions on March 1, 2004. Under the terms of the stock purchase agreement, we have agreed to issue 2,363,636 shares of our common stock to Zions for \$13,000,000 in gross proceeds. We will use the proceeds of the stock issuance to Zions to repay the loan and to replace a portion of the internal funds used for the acquisition.

The preliminary unaudited pro forma condensed combined balance sheet as of December 31, 2003 reflects the acquisition and the sale of common stock as if they occurred on December 31, 2003. The preliminary unaudited pro forma condensed combined income statement for the year ended December 31, 2003 reflects the acquisition, including acquisition expenses, and the sale of common stock as if they occurred on January 1, 2003.

The purchase price, including acquisition expenses, has been allocated as follows based upon purchase accounting adjustments as of December 31, 2003 (in thousands):

Land and building(1)	\$	5,500
Accounts receivable(2)		2,042
Other tangible assets		224
Intangible assets(3)		3,700
Goodwill		7,090
		<hr/>
Allocated purchase price	\$	18,556
		<hr/>

- (1) Represents adjustments for fair value.
- (2) Represents adjustments to conform Life Quotes' accounting policy to ours (see Note 2).
- (3) Represents identified finite life intangible assets, primarily customer-related insurance intangibles and a non-compete contract (see Note 3).

The above allocation of the purchase price is slightly different than the allocation shown in the notes to the preliminary unaudited pro forma condensed combined financial statements as of March 31, 2004, as the valuation of accounts receivable would have changed due to additional revenue and collections between December 31, 2003 and March 31, 2004, and the valuation of tangible assets changed due to a reduction in their fair value between December 31, 2003 and March 31, 2004.

The preliminary unaudited pro forma condensed combined financial statements presented herein are not necessarily indicative of the results of operations or the combined financial position that would have resulted had the acquisition been completed at the dates indicated, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined company.

The preliminary unaudited pro forma condensed combined financial statements have been prepared assuming that the acquisition is accounted for under the purchase method of accounting (purchase accounting) with Quotesmith.com as the acquiring entity. Accordingly, under purchase accounting, the assets and liabilities of Life Quotes are adjusted to their fair value. For purposes of these preliminary unaudited pro forma condensed combined financial statements, consideration has also been given to the impact of conforming Life Quotes' accounting policies to ours. Additionally, certain amounts in the historical consolidated financial statements of Life Quotes have been reclassified to conform to our financial statement presentation. The preliminary unaudited pro forma condensed combined financial statements do not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies or asset dispositions.

The preliminary unaudited pro forma adjustments represent management's estimates based on information available at this time. Actual adjustments to the combined balance sheet and income statements will differ, perhaps materially, from those reflected in these preliminary unaudited pro forma condensed combined financial statements because the assets and liabilities of Life Quotes will be recorded at their respective fair values on the date the acquisition is consummated, and the preliminary assumptions used to estimate these fair values may change between now and the completion of the accounting for the acquisition. Estimated fair value adjustments to certain balance sheet amounts are preliminary and may change as a result of additional analysis. The final purchase accounting adjustments may be materially different from the preliminary unaudited pro forma adjustments presented herein.

The preliminary unaudited pro forma adjustments included herein are subject to other updates as additional information becomes available and as additional analyses are performed. The final allocation of the purchase price will be determined after the acquisition is consummated and after completion of a thorough analysis to determine the fair values of Life Quotes' tangible and identifiable intangible assets and liabilities. Accordingly, the final purchase accounting adjustments, including conforming of Life Quotes' accounting policies to ours, could be materially different from the preliminary unaudited pro forma adjustments presented herein. Any increase or decrease in the fair value of Life Quotes' assets, liabilities, commitments, contracts and other items as compared to the information shown herein will change the purchase price allocable to goodwill and may impact the combined income statements.

Note 2 Pro Forma Adjustments

The pro forma adjustments related to the preliminary unaudited pro forma condensed combined balance sheet as of December 31, 2003 assume the acquisition and the sale of common stock took place on December 31, 2003. The pro forma adjustments to the preliminary unaudited pro forma condensed combined income statement for the year ended December 31, 2003 assumes the acquisition and the sale of common stock took place on January 1, 2003.

The following pro forma adjustments result from the allocation of the purchase price for the acquisition based on the fair value of the assets, liabilities and commitments acquired from Life Quotes

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and to conform Life Quotes' accounting policies to ours. The amounts and descriptions related to the preliminary adjustments are as follows:

		Increase (Decrease)
		As of December 31, 2003
		<hr/>
		(in thousands)
Unaudited pro forma condensed combined balance sheet		
a)	Elimination of Life Quotes asset not acquired	\$ 61
b)	Invested assets used to complete the acquisition	(4,204)
c)	Adjustment to conform the accounting policy for receivable and revenue recognition	1,581
d)	Elimination of Life Quotes asset not acquired	(86)
e)	Invested assets to be used to complete the acquisition	(7,852)
f)	Acquisition of land and building at fair value	5,500
g)	Record the identifiable intangible assets related to this acquisition See Note 3	3,700
h)	Record the goodwill associated with the acquisition	7,090
i)	Eliminate Life Quotes liabilities not assumed	(89)
j)	Borrowing from Zions to complete the acquisition	6,500
k)	Eliminate Life Quotes retained earnings	(621)
l)	Invest proceeds of stock sale in excess of debt repayment	6,500
m)	Repay note payable with proceeds of stock sale	(6,500)
n)	Sale of common stock to Zions	13,000
		<hr/>
		Increase (Decrease)
		Year Ended
		December 31, 2003
		<hr/>