FORM S-1 · REGISTRATION STATEMENT

coolsavings.com inc

IPO priced 2000-05-19 · $7.00 a share · CSAV



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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 14, 2000 REGISTRATION NO. 333- SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 COOLSAVINGS.COM INC. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Michigan	7379	38-3216102
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

8755 WEST HIGGINS ROAD, SUITE 100 CHICAGO, ILLINOIS 60631 (773) 693-1300 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) STEVEN M. GOLDEN 8755 WEST HIGGINS ROAD, SUITE 100 CHICAGO, ILLINOIS 60631 (773) 693-1300 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE) WITH COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE BEING OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX: [_] IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, PLEASE CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING: [_] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(C) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING: [_] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(D) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING: [_] IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX: [_]

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be registered	Proposed maximum aggregate offering price(1)	Amount of registration fee
COMMON STOCK	$57,500,000	$15,180

(1) ESTIMATED PURSUANT TO RULE 457(O) UNDER THE SECURITIES ACT OF 1933 SOLELY FOR THE PURPOSE OF CALCULATING THE REGISTRATION FEE.

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

++
+The information in this prospectus is not complete and may be changed. +
+Underwriters may not confirm sales of these securities until the registration +
+statement filed with the Securities and +
+Exchange Commission becomes effective. This prospectus is not an offer to +

+sell these securities and it is not soliciting offers to buy these securities +
+in any state where the offer or sale is not permitted. +
++

SUBJECT TO COMPLETION, DATED , 2000

PROSPECTUS

SHARES

[LOGO OF COOLSAVINGS.COM APPEARS HERE]

COMMON STOCK

THIS IS AN INITIAL PUBLIC OFFERING OF COMMON STOCK BY COOLSAVINGS.COM INC. ALL OF THE SHARES OF COMMON STOCK ARE BEING SOLD BY COOLSAVINGS. THE ESTIMATED INITIAL OFFERING PRICE WILL BE BETWEEN $ AND $ PER SHARE.

THERE IS CURRENTLY NO PUBLIC MARKET FOR THE COMMON STOCK. WE HAVE APPLIED TO LIST THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL CSAV.

	PER SHARE	TOTAL
Initial public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to CoolSavings, before expenses	$	$

COOLSAVINGS HAS GRANTED THE UNDERWRITERS AN OPTION FOR A PERIOD OF 30 DAYS TO PURCHASE UP TO ADDITIONAL SHARES OF COMMON STOCK.

INVESTING IN THE COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 4.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CHASE H&Q

LEHMAN BROTHERS

THOMAS WEISEL PARTNERS LLC

, 2000

INSIDE FRONT COVER

COMPREHENSIVE E-MARKETING SERVICES [LOGO] COOLSAVINGS.COM ATTRACT ADVERTISERS ATTRACTS CONSUMERS HOUSEHOLD TARGETING ONLINE AND OFFICE ADVERTISING TRACKING VARIETY OF INCENTIVES SCREENSHOT OF COOLSAVINGS.COM HOME PAGE

single source for
e-marketing promotions
to build one-to-one
customer relationships

personalized

established brand
for customers to
save, then shop

FIRST PAGE OF GATEFOLD

SCREENSHOT OF ADVERTISERS' SITE OFFER TRACKING LEADS TO MORE EFFECTIVE CAMPAIGNS BROAD ARRAY OF INCENTIVES ON OUR WEB SITE CUSTOMER LOGOS BUILDING ONE-TO-ONE RELATIONSHIPS SCREENSHOT OF TARGETED E-MAIL VARIETY OF PLACES FOR REDEMPTION AND IN OUR TARGETED E-MAILS ONLINE RETAILERS MALL STORES NATIONAL AND REGIONAL CHAINS

SECOND PAGE OF GATEFOLD

ADVERTISERS CAN DELIVER, TARGET AND TRACK A WIDE ARRAY OF INCENTIVES BROAD RANGE OF PROMOTIONAL TO PROMOTE INCENTIVES PRODUCTS OR SERVICES IN ANY ONLINE OR OFFLINE ENVIRONMENT GRAPHIC OF MEMBER DATABASE WE CAPTURE AND STORE INCENTIVES DRIVE DETAILED MEMBER SALES DEMOGRAPHIC INFORMATION, TRACK SHOPPING PREFERENCES AND BEHAVIOR, AND

NEIGHBORHOOD BUSINESSES WITH ADVERTISER COOPERATION CAN TRACK REDEMPTION OF THESE INCENTIVES BACK TO THE MEMBER HOUSEHOLD WE USE SOPHISTICATED DATA MINING TO CREATE PREDICTIVE MODELS TO MAKE FUTURE TARGETING EVEN MORE EFFECTIVE

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Statements..... F-1 We were incorporated as Interactive Coupon Marketing Group, Inc. in Michigan in December 1994. In November 1998, we changed our corporate name to coolsavings.com inc. References in this prospectus to "us," "our" and "we" mean coolsavings.com inc., and references to "CoolSavings" mean coolsavings.com inc. or our web site, as the context requires.

Unless otherwise indicated, all statistical data regarding CoolSavings referenced in this prospectus is as of December 31, 1999. This prospectus contains statistical data regarding Internet usage and the advertising and marketing industry that we obtained from industry publications, including reports generated by Forrester Research, Inc., International Data Corporation, the Direct Marketing Association, Mediamark Research Inc., NPD Research and Media Metrix, Inc. These industry publications generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While we believe that these publications are reliable, we have not independently verified their data.

We own service mark registrations for the mark COOLSAVINGS, as well as several other service marks, including, among others, COOLMALLS, COOLTRAVEL, COOLSAMPLES and COOLCATALOGS, in the United States. We also own common law rights in these and other marks. In addition, we have applied for United States federal registrations of several service marks, including our stylized piggy-bank logo, SAVE. THEN SHOP., SQUEALS OF THE DAY, COOLSAVINGS COUPON MANAGER and SAVINGSCENTER. We have also obtained a trademark registration in Australia for COOLSAVINGS and have registration applications pending in the United Kingdom and Canada. All other trademarks or service marks appearing in this prospectus are trademarks or service marks of others.

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Prospectus Summary

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including "Risk Factors" and the financial statements, before making an investment decision.

CoolSavings

We are a leading provider of a comprehensive set of e-marketing services used by online and offline advertisers to build one-to-one customer relationships. Under our established brand, advertisers can deliver, target and track a wide array of incentives to promote their products or services in any online or offline environment. We deliver these incentives to targeted segments of our large audience of consumers, who have registered their demographic profiles with us and have given us permission to deliver personalized savings opportunities to them. In 1999, our advertisers included leading brands such as barnesandnoble.com, Bigstar, CDNow, First USA, JC Penney, Kids "R" Us, MCI WorldCom, MotherNature.com, NetGrocer, petsmart.com, Service Merchandise, SmarterKids.com and US News & World Report. As of December 31, 1999, we had over 5.0 million registered members, representing nearly 3.9 million households.

The compelling advantages of the Internet as a direct marketing medium have led to the development of e-marketing services that enable businesses to drive customer acquisition, retention and loyalty. Forrester Research projects that online direct marketing will account for 50% to 70% of a projected $10.4 billion in total U.S. online advertising spending in 2002. While online companies are the most frequent users of e-marketing services, traditional offline businesses such as national retailers and consumer packaged goods manufacturers are increasingly seeking to use e- marketing services to drive offline sales and build consumer relationships. In doing so, many online companies and traditional businesses are devoting larger portions of their marketing budgets to Internet direct marketing.

Our web site, coolsavings.com, offers convenient and personalized incentives for goods and services from a broad range of advertisers, including online retailers, national brick-and-mortar chains, consumer packaged goods manufacturers, large consumer service providers and neighborhood businesses. We offer a wide array of promotional services for advertisers including printed and electronic coupons, personalized e-mails, rebates, samples, sales notices, loyalty programs, gift certificates, contests and banner advertisements. According to Media Metrix, for November 1999, CoolSavings was the eighth most popular shopping web site for women (believed to be the principal shoppers in 74% of U.S. households) and received 3.2 million unique visitors. We sent approximately 22.0 million e-mails to our members in December 1999.

Although we keep our members' identities private, we capture and store detailed member demographic information, track shopping preferences and behavior, and with advertiser cooperation can track redemption of these incentives back to our members' households. In doing so, we have developed a

valuable database of information that we use for the benefit of our advertisers. We analyze our database with sophisticated data mining, targeting and tracking technology to help our advertisers execute effective promotional campaigns. The diversity of the incentives we offer and the variety of places where our members can redeem them further enrich our member profiles for future database marketing.

Our objective is to be the leading provider of e-marketing services to advertisers. To achieve this objective, we plan to continue to add to our base of members and advertisers through an active online and offline marketing program that enhances the CoolSavings brand. We must also continue to enrich our database and develop deeper data for predictive modeling and targeting purposes. In order to offer a comprehensive e-marketing solution for advertisers, we plan to expand the promotional services we offer. Finally, we intend to continue to pursue strategic relationships with co-branding partners.

Our corporate offices are located at 8755 West Higgins Road, Suite 100, Chicago, Illinois 60631. Our telephone number at that location is (773) 693- 1300. Our Internet address is http://www.coolsavings.com. Information contained on our web site is not a part of this prospectus.

The Offering

Common stock offered by CoolSavings..... shares Common stock to be outstanding after this offering.. shares Use of proceeds..... For general corporate purposes, including working capital, capital expenditures and additional sales and marketing efforts. See "Use of Proceeds." Proposed Nasdaq National Market Symbol..... CSAV Unless otherwise indicated, share information in this prospectus:

. is based on our shares outstanding as of December 31, 1999;

. assumes conversion of our convertible subordinated notes into shares of common stock upon completion of this offering, based on an assumed initial public offering price of $ per share;

. assumes conversion of our Series A convertible preferred stock into shares of common stock upon completion of this offering;

. gives effect to a for stock split which will occur prior to completion of this offering; and . assumes the underwriters' over-allotment option is not exercised.

The number of shares to be outstanding after this offering excludes, as of December 31, 1999:

. 4,136.798 shares of common stock reserved for issuance under our 1997 Stock Option Plan, of which 3,635.580 shares are subject to outstanding options at a weighted average exercise price of $3,996.74 per share;

. 282.380 shares subject to options granted outside of our 1997 Stock Option Plan at an exercise price of $318.72 per share; and . 551.573 shares of common stock reserved for issuance under our 1999 Non- Employee Director Stock Option Plan, of which 55.000 shares are subject to outstanding options at a weighted average exercise price of $5,394.18 per share.

The summary financial data presented below are derived from the financial statements of CoolSavings. The quarterly financial data have been derived from unaudited financial statements. The shares used to compute pro forma loss per share include convertible subordinated notes and Series A convertible preferred stock on an as-converted basis, as well as common stock. The as adjusted balance sheet data presented below reflect the receipt of the net proceeds from the sale of the shares of common stock offered by CoolSavings at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts and commissions and the estimated offering expenses.

Summary Financial Data (in thousands, except share and per share data)

Inception through December 31, 1995	Year Ended December 31, 1996	1997	1998	Nine Months Ended September 30, 1998	1999
				(unaudited)	

Statement of Operations Data: Net revenues..... $ -- $ -- $ 110 $ 1,143 $ 663 $ 6,240 Gross profit (loss)... -- -- (38) 715 399 5,197 Loss from operations.. (16) (883) (2,725) (5,346) (3,180) (10,035) Net loss..... (16) (874) (2,732) (5,741) (3,609) (9,786) Historical loss per common share, basic and diluted..... $ (0.00) $ (73.40) $ (171.97) $ (306.42) $ (185.72) $ (355.21) Weighted average shares used to compute historical basic and diluted loss per common share..... 9,532.877 11,910.725 15,883.975 18,736.675 19,430.790 27,548.912 Pro forma loss per common share, basic and diluted..... $ $ Weighted average shares used to compute pro forma basic and diluted loss per share.....

September 30, 1999 Pro Pro Forma Actual Forma As Adjusted (unaudited)

Balance Sheet Data:	
Cash and cash equivalents	$ 5,295
Working capital	3,941
Total assets	14,275
Long-term debt	829
Convertible subordinated debt	1,500
Total stockholders' equity	6,314

Risk Factors

You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing our common stock. Investing in our common stock involves a high degree of risk. Any of the following risks could materially and adversely affect our business and quarterly and annual results of operations and could result in a complete loss of your investment.

Risks Related to Our Business Our unproven business model and short operating history make it difficult to evaluate our business We were incorporated in December 1994 and launched our web site in February 1997. Because we have an unproven business model and a limited operating history, it may be difficult for you to evaluate an investment in our common stock. In addition, we face risks,

uncertainties, expenses and difficulties frequently encountered by early stage companies in new and rapidly evolving markets, including the Internet advertising and direct marketing market. To address these risks and uncertainties, we must, among other things:

. maintain relationships with existing advertisers and attract additional advertisers;

. attract members who actively take advantage of our offers and make purchases, request information and otherwise interact with our advertisers;

. attract, integrate, motivate and retain qualified personnel;

. enhance our brand recognition;

. develop new promotions and services;

. continue to upgrade and develop our systems and infrastructure to accommodate potential growth;

. anticipate and adapt to the evolving Internet advertising and direct marketing market and changes in advertisers' promotional needs and policies;

. maintain and defend our intellectual property rights; and . respond to changes in government regulations.

We may not be successful in accomplishing these objectives. Our failure to do so could harm our business, results of operations and financial condition.

We have a history of losses and we anticipate future losses We incurred net losses of $5.7 million in 1998 and $9.8 million for the nine months ended September 30, 1999. As of September 30, 1999, our accumulated deficit was $19.1 million. We expect to continue to incur significant operating losses and capital expenditures. In particular, we expect to invest heavily in sales and marketing activities, hiring new personnel, enhancing services and technology, expanding and relocating our facilities and defending our intellectual property. As a result, we will need to generate significant revenues to achieve and maintain profitability. Although our revenues have grown in recent quarters, this growth may not be sustained and we may never become profitable. Even if we do achieve profitability, we may not sustain or increase profitability on a quarterly or annual basis.

Our quarterly financial results may fluctuate, making our future financial results difficult to forecast Our future operating results may vary significantly due to a variety of factors, many of which are beyond our control, including:

. advertisers' demand for and use of our services;

.seasonality of our advertisers' offers and their budgeting cycles;

. performance-based contracts, under which our revenues depend on our members' responsiveness to advertisers' offers;

. loss of advertisers, many of which are under short-term contracts with us;

. changes in our pricing policies or those of our competitors;

. the mix of advertisements and services we sell;

. our members' demand for our services and response to the offers we make available to them;

. litigation costs;

. the timing and amount of costs related to expansion of our operations; and . changes in and the timing of the costs we incur to attract members.

As a result, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful. Moreover, these factors make our revenues difficult to forecast. In addition, we plan to significantly increase our sales and marketing, product development and other operating expenses. Because of our brief operating history, we cannot estimate expenses based on our historical results. We therefore base our estimated expenses in part on projections of future revenue, which are inherently uncertain. We may be unable to reduce spending quickly enough to offset any unexpected revenue shortfall, which could cause our business and operating results to suffer. This would likely affect the market price of our common stock in a manner which may be unrelated to our long-term operating performance. It is likely that in one or more future quarters our operating results will fall below the expectations of securities analysts and investors. If this happens, our stock price will likely decline, perhaps significantly.

We derive most of our revenues from short-term contracts with our advertisers Most of our current advertising contracts have stated terms of less than one year and are generally subject to earlier termination. We may be unsuccessful in securing longer commitments. For example, some advertisers prefer short-term contracts because they use our service to promote limited-time promotional events or seasonal products and services. In addition, new advertisers often request a short-term trial to assess the effectiveness of our services, particularly because Internet-based promotional services are relatively new and unproven. The limited duration of our advertising contracts makes it difficult for us to forecast our revenues. If we cannot renew our contracts or attract new advertisers, our results of operations and financial condition will be seriously harmed.

Our operating results are subject to seasonal fluctuations We believe our operating results will be subject to seasonal fluctuations that may make our stock price more volatile. Advertising sales in traditional media, such as television and radio, generally are lower in the first and third calendar quarters of each year. We anticipate that our future revenues will reflect these seasonal patterns. However, our limited operating history and the evolving nature of the Internet advertising market make it difficult for us to predict the precise future impact of seasonal factors on our business.

We depend on compelling promotional offers by our advertisers Our members' usage of our services, and the resulting attractiveness of our service to advertisers, depend upon the quality of the promotional offers we deliver and our members' interest in them. In addition, under some of our advertising contracts, our revenues depend on members' responsiveness to specific promotions. We currently consult with our advertisers about the type and frequency of incentives they offer, but we cannot control their choice of promotions or their fulfillment of incentives. If our advertisers' promotional offers are not attractive to our members, we will not be able to maintain or expand our

membership or generate adequate revenues based on the size of our membership or on the responses we produce. Moreover, if our members are not satisfied with the offers our advertisers make available to them, or with the products or services they receive upon redemption of offers, their negative experiences might result in publicity that could damage our reputation, which would harm our efforts to attract and retain members and advertisers.

We depend on the successful introduction of new services and features To retain and attract members and advertisers, we intend to introduce additional services and new features on our web site. For example, we plan to offer advertisers the ability to deliver promotional incentives to small businesses, in addition to individual consumers. These new features and services may require us to spend significant funds on product development and on educating our advertisers and consumers about our new service offerings. New services and features may contain errors or defects that are discovered only after introduction. Correcting these defects may result in significant costs, service interruptions, loss of advertisers' and members' goodwill and damage to our reputation. In addition, our successful introduction of new technologies may depend on our advertisers' ability to adapt to use these technologies, over which we have no control. If we introduce a service or feature that is not favorably received, our current members may use our web site and other services less frequently, our existing advertisers may not renew their contracts and we may be unable to attract new members and advertisers.

We must be able to establish and maintain relationships with operators of other web sites to attract new members We rely on third-party web sites as sources of potential new members. Competition for placements on the highest traffic web sites is intense, and we may not be able to enter into these relationships on commercially reasonable terms, or at all. Moreover, we may have to pay significant fees to establish these relationships. Even if we enter into or maintain our current relationships with other web site operators, those sites may not attract significant numbers of users or increase traffic to our web site. Some operators of other web sites may also offer competing services, alone or through an arrangement with one of our competitors. These operators may be reluctant to enter into strategic relationships with us. Our business could be harmed if we do not establish and maintain relationships with other web site operators on commercially reasonable terms or if our relationships do not result in additional member registrations on our web site.

Intellectual property litigation against us can be costly and could result in the loss of significant rights We expect that, as the number of services and competitors in Internet advertising and direct marketing grows, we will be increasingly subject to intellectual property infringement, unfair competition and related claims against us. Third parties may also seek to invalidate our patent. Currently, we are a defendant in two lawsuits filed by competitors, each of which alleges that our technology or business methods infringe on the competitor's patent. The lawsuits seek, among other things, to prevent us from using methods that allegedly violate the competitors' patents. While we intend to defend these actions vigorously, our efforts may not be successful. Our failure to prevail in this litigation could result in:

. our paying monetary damages, which could be tripled if the infringement is found to have been willful;

. an injunction requiring us to stop offering our services in their current form;

. our having to redesign our technology and business methods, which could be costly and time-consuming even where a redesign is feasible; or . our having to pay fees to license intellectual property rights, which may result in unanticipated or higher costs.

Because of the ongoing technical efforts of others in our market and the relatively recent introduction of our technology, we may be involved with one or more of our competitors in legal proceedings to determine the parties' rights to various intellectual property. Our failure to prevail in these proceedings could harm our business.

We cannot predict whether other third parties will assert claims of infringement or similar charges against us, or whether any past or future claims will harm our business. For example, a third party recently informed us that it believes its patent may be relevant to our business, which we are currently evaluating. We believe that participants in our market are increasingly attempting to obtain patent protection for their business methods, and some competitors such as Catalina Marketing and e-centives have announced that they have applied for additional patents. We cannot predict when or if patents will result from these efforts, or whether any of these third parties' patents will cover aspects of our business. The details of United States patent applications are not publicly disclosed until the patent is issued. Any third- party claim, with or without merit, could be time-consuming, result in costly litigation, cause us to reduce or alter our services, delay or prevent service enhancements or require us to enter into royalty or licensing agreements. In addition, legal standards regarding the validity, enforceability and scope of intellectual property in Internet-related businesses are unproven and continue to evolve. In this legal environment, we may be required to license other parties' proprietary rights in an effort to clarify our ability to conduct business or develop new services. For example, we have entered into two license agreements with the owner of patents covering aspects of the issuance of printed coupons and the conduct of interactive games and contests. Further royalty or licensing agreements, if required, might not be available on terms acceptable to us, or at all. If there is a successful claim of infringement against us and we are unable to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be substantially harmed. Please see "Business--Legal Proceedings."

Protecting our patents, trademarks and proprietary rights may be costly and may distract our management We regard the protection of our patent rights, copyrights, service marks, trademarks, trade dress and trade secrets as critical to our future success. However, the steps we take to protect these and other proprietary rights will be costly, may require significant management resources and may be inadequate. If we are unsuccessful in protecting our proprietary rights, our business will be seriously harmed.

Patents

We currently hold one issued United States patent, No. 5,761,648, entitled "Interactive Marketing Network and Process Using Electronic Certificates." In addition, we have pending three United States and 17 foreign patent applications directed to different aspects of our technology and business processes. Nevertheless, it is possible that:

. our U.S. Patent No. 5,761,648, and any other patent we may obtain, could be successfully challenged by one or more third parties, which could deprive us of the right to prevent others from exploiting the electronic certificate issuing and processing method or other inventions claimed in our current or future patents;

. current and future competitors could devise new methods of competing with our business that are not covered by our issued patent or any patents we may obtain, or against which our patent and any other patent we may obtain may be ineffective;

. our pending patent applications may not result in the issuance of patents; and . a third party may have or obtain one or more patents that cause specific aspects of our business to be restricted or that require us to pay license fees.

In addition, we cannot predict how recently enacted United States laws may impact our proprietary rights. For example, the American Inventor's Protection Act, which became law in October 1999, may grant partial or full immunity to certain qualified methods of doing business from the full exclusionary rights otherwise afforded to validly issued patents. There currently is no substantial judicial precedent addressing this new law. We are also uncertain as to whether countries other than the United States will grant patents for inventions pertaining to Internet-related businesses, or as to the extent of protection those foreign patents would afford if issued. As in the United States, the legal standards applied abroad for intellectual property in Internet-related businesses are evolving and unproven. Any ruling or legislation that reduces the validity or enforceability of our patents will seriously harm our business.

We presently have six lawsuits pending against companies we believe have infringed on our patent. This litigation has been and will continue to be costly, and is likely to continue over the course of several years. These lawsuits are at an early stage, and the outcome of these lawsuits may not be favorable to us. We may not prevail and prevent others from infringing on our patents and using our proprietary rights. Furthermore, some of the companies we have sued have filed counterclaims or separate lawsuits against us seeking damages or to prevent us from using features of our system or business, and others may do so. Please see "Business--Legal Proceedings."

Trademarks, Copyrights and Trade Secrets We rely on a combination of laws and contractual restrictions to establish and protect our proprietary rights. We generally have entered into confidentiality and invention assignment agreements with our employees and contractors, and into non-disclosure agreements with parties with which we conduct business, in order to limit access to and disclosure of our proprietary information. These contractual arrangements and other steps we have taken to protect our intellectual property may not prevent misappropriation of our proprietary rights or deter independent third-party development or use of similar intellectual property. In addition, we have registered and have applied for registration of trademarks and service marks in the United States and in other countries. However, our pending registrations might not be issued and our registered marks may not prevent others from using similar marks.

Domain Names

We currently hold the Internet domain name coolsavings.com, as well as various other related names. Domain names generally are regulated by the Internet's regulatory bodies. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may not acquire or maintain the "coolsavings.com" domain name in all of the countries in which we conduct business or in which we wish to conduct business in the future.

Licenses

In the future, we may license portions of our intellectual property, including our issued patent, to third parties. To date, we have granted one competitor immunity from suit under our patent, on the condition that the competitor restrict its coupon distribution in ways acceptable to us. Similarly, we have also licensed two other competitors under our patent on the condition that they restrict their coupon distribution in ways acceptable to us. If the nature or scope of the immunity or licenses were disputed, we would need to institute proceedings to enforce our rights under these agreements or under our patent.

We may lose business or incur liabilities to our advertisers due to uncertainties or inaccuracies in our database information It is important to our advertisers that we accurately track our members' demographics, our delivery of offers and advertisements and, in some instances, redemptions of incentives offered through CoolSavings. We have developed systems designed to record information about our members' demographic profiles, usage of our web site and other member information. If these systems do not perform as intended, we may not be able to evaluate accurately our members' household characteristics or the success of an advertiser's promotional campaign. Advertisers' willingness to use our services depends in part on the size of our membership base. In addition, in some cases our advertising rates increase as our registered membership increases and some of our advertising contracts require us to maintain or attain specified membership or usage levels. It is difficult to report our membership numbers accurately because some individuals may register more than once under different e-mail addresses, and members of households already registered with us may subsequently register themselves individually. Many of our members were registered on our web site by other members of their households and tend to use our web site less frequently than the members who registered them, if at all. Furthermore, we rely on the accuracy of the demographic, income and other information provided by our registering members. If advertisers perceive our tracking and evaluations to be unreliable or if our members' self-reported information proves to be inaccurate, we may lose current and potential advertisers, suffer erosion in our advertising rates or face disputes over proper advertising charges.

We may be subject to claims as a result of our data mining activities, which could result in loss of members The information in our database is an integral part of our business. We have designed our technology infrastructure and services to allow us to aggregate data regarding specific member behavior. We have a strict privacy policy that governs how we use information about our members. We currently do not sell member-identifying information to third parties without the consent of the

member and have no plans to do so in the future. Furthermore, our e-mail notices are only sent to members who have elected to receive them. However, some people who receive promotions from us may still be unhappy that we contacted them. In addition, while we strictly protect the identity of individual members, we do provide advertisers with aggregate information regarding member demographics, shopping preferences and past behavior. Our use of this aggregated information may cause dissatisfaction among our members or otherwise lead to negative publicity. There has been substantial publicity regarding privacy issues involving the Internet. To the extent that our data mining activities conflict with any privacy protection initiatives or if any private information is inadvertently made public, we may be subject to legal claims. If our members become unhappy with our use of the information in our database, or if we are subject to legal proceedings regarding our use of our database, our business will be harmed.

Failure to promote and protect our brand will harm our business We believe that strengthening our brand will be increasingly important because our market is competitive and has low barriers to entry. Our ability to promote and position our brand depends on the success of our marketing efforts and whether we can provide high quality services that motivate our members to use CoolSavings. To promote our brand, we will need to invest heavily in marketing to create and maintain brand loyalty among members. We intend to continue to expand our offline marketing efforts in such media as broadcast and print, where we have limited experience. These initiatives have involved and will continue to involve significant expenses. The outcome of our marketing efforts is difficult to predict. If our brand enhancement strategy is unsuccessful, our business will be harmed. In addition, we rely on co-branding arrangements with third parties as sources for new members and for advertising revenues. To the extent any of our co-branding partners are subject to negative publicity, the goodwill associated with our brand may be harmed.

We may not be able to compete successfully against current and future competitors The market for e-marketing services is new, rapidly evolving and intensely competitive. Barriers to entry for companies in our market are low, and current and potential competitors can launch new web sites and e-marketing services at relatively low cost.

Currently, we compete directly with online marketing companies in several fields:

. direct marketers, such as FreeShop, LifeMinders and YesMail;

. incentive services, such as Cybergold, MyPoints and Netcentives;

. coupon providers, such as the online division of Catalina Marketing, e- centives and planet U; and . sweepstakes providers, such as Webstakes.

We also face competition from traditional direct marketers, including leading distributors of traditional coupons by mail or newspaper inserts and from companies offering affinity rewards tied to responses to advertisements. We expect that some of the leading distributors of traditional newspaper-insert coupons, which have significant existing relationships with advertisers such as consumer packaged goods companies, will compete against us directly by delivering their promotions over the Internet. For example, Valassis Communications, a leading distributor of newspaper-insert coupons,

recently began to offer online services. We also compete with other web sites, portals and advertising networks, as well as traditional offline media such as television, radio and print, for a share of advertisers' total advertising budgets and for consumers' attention.

Many of our current and potential competitors have longer operating histories, greater brand recognition, larger customer or user bases, and significantly greater financial, marketing, technical and other resources than we do. In addition, our competitors may be acquired by, receive investments from or enter into other commercial relationships with larger, well-established and well-financed companies. Therefore, some of our competitors may be able to devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies and devote substantially more resources to web site and systems development. They may also try to attract advertisers by offering free services. Increased competition may cause us to lose brand recognition and market share and could otherwise harm our business.

Our revenues are concentrated among a limited number of advertisers During the nine months ended September 30, 1999, although no advertiser accounted for more than 6.0% of our revenues, approximately 19.0% of our revenues was derived from our five largest advertisers. We believe that a relatively small number of advertisers may account for a substantial portion of our revenues in future periods. If any of our major advertisers were to reduce their advertising purchases substantially or to stop using our services, our business would be seriously harmed.

Many of our customers are emerging Internet companies that represent credit risks A significant portion of our revenues is derived from sales of advertising to online retailers and service providers. Many of these companies have limited operating histories, are incurring substantial losses and have limited access to capital. Many of these businesses represent credit risks and could fail. If these advertisers experience financial difficulties or fail to achieve commercial success, our business will suffer.

If we do not manage our growth, our business will be seriously harmed We recently began to expand our operations rapidly and we anticipate that further expansion will be required to address potential growth in our member and advertiser base and market opportunities. From June 1, 1996 to December 31, 1999, we expanded from three to 121 employees. Our new employees include a number of key managerial, marketing, planning, technical and operations personnel who have not yet been fully integrated into our business, and we expect to add additional key personnel in the near future. This expansion has placed a significant strain on our management, operational and financial resources, and we expect that strain to continue. To manage the expected growth of our operations, we will need to improve our existing and implement new operational and financial systems, procedures and controls. We will also need to expand our finance, administrative, client services and operations staff and train and manage our growing employee base effectively. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. Additionally, we plan to relocate our headquarters to downtown Chicago during mid-2000, which could be costly and disruptive. If our new office space proves to be inadequate for our growth, we may have to spend additional resources to accommodate our operations.

Furthermore, although we expect to sublease our existing office space or negotiate other lease termination arrangements with our current landlords, we may be unable to do so on terms acceptable to us or at all. We may also pursue acquisition or investment opportunities that would complement our current business. If we are unable to make these acquisitions or investments, or have difficulty integrating any new entities or technologies, our business could be harmed. Our business, results of operations and financial condition will suffer if we do not effectively manage our growth.

Our failure to attract, assimilate and retain highly skilled personnel would seriously harm our business Our future success depends on the continued services of our senior management and other key sales and technical personnel, particularly Steven M. Golden, our Chairman, Chief Executive Officer and President, David H. Jacobson, our Executive Vice President, Finance and Chief Financial Officer, Matthew Moog, our Executive Vice President, Sales and Marketing, John J. Adams, our Executive Vice President, Operations and Technology, and Jonathan J. Smith, our Executive Vice President, Strategic Business Development. We do not have long- term employment agreements with any of our key personnel and maintain no "key person" life insurance policies. The loss of the services of any of our executive officers or other key employees would likely have a negative effect on our business, results of operations and financial condition. Our future success also depends on our ability to identify, attract, retain and motivate highly skilled employees, particularly additional technical, sales and marketing personnel. Competition for employees in our industry is intense. We have occasionally encountered and expect to continue to encounter difficulties in hiring and retaining highly skilled employees, particularly qualified software developers for our web site and database systems. We may be unable to retain our key employees or identify, attract, assimilate or retain other highly qualified employees in the future, which may in turn harm our business.

Our reputation and business could be damaged if we encounter system interruptions or capacity limitations We seek to generate a high volume of traffic and transactions on our web site. Our database must also handle a large volume of member data and information about members' usage of our web site. The satisfactory performance, reliability and availability of our web site, database systems and network infrastructure are critical to our reputation and our ability to attract and retain large numbers of members. Our revenues depend on promotional offers being readily available for members and our ability to process their coupon downloads, e-mail responses or other transactions on our web site. Any system interruptions that result in the unavailability of our service or reduced member activity would impair the effectiveness of our service for advertisers. Interruptions of service may also inhibit our ability to attract and retain members, which in turn will hinder our sales and marketing efforts. We have experienced periodic system interruptions, which may occur from time to time in the future. For instance, for two weeks during the summer of 1998, we experienced network access interruptions that lasted minutes at a time because of a problem with the access routers in the local access network of our primary Internet service provider.

A substantial increase in rate of traffic on our web site will require us to expand and upgrade our technology, processing systems and network infrastructure. These upgrades could be disruptive and costly. In addition, our existing systems may encounter unexpected problems as our member base expands. Our failure to handle the growth of our databases could lead to system failures, inadequate

response times or corruption of our data, and could negatively affect our business, results of operations and financial condition. We may be unable to expand and upgrade our systems and infrastructure to accommodate this growth in a timely manner. Any failure to expand or upgrade our systems could damage our reputation and our business.

We rely on third-party service providers, and any disruption or failure in the services they provide will harm our business We rely on three third-party service providers to provide access to our web site and support its operation. Any interruption or failure in these services or a deterioration in their performance could disrupt our business. Our support arrangements with these providers are short-term and may be canceled on short notice. In the event these arrangements are terminated, we may not be able to find alternative service providers on a timely basis or on terms acceptable to us, or at all, which in turn would harm our business. In addition, we rely on software licenses from third parties, such as two software packages from L-Soft International, Inc. that we use to transmit e-mail to our members. If these licenses are terminated, we may not be able to find and install satisfactory alternate software on a timely basis or on terms acceptable to us, or at all, which will harm our business.

Our facilities and systems are vulnerable to natural disasters and other unexpected problems Our success and our ability to attract new members and motivate our members to respond to our advertisers' offers depend on the efficient and uninterrupted operation of our computer and communications hardware systems. Our web servers and the database behind our system are currently located at our Chicago headquarters. In addition, the servers we use to perform data mining are housed at an Exodus Communications data center in Oak Brook, Illinois. Although we have also contracted with Exodus to host a redundant system, we have not yet directed substantial traffic to this Exodus system. The computer systems at each of our two hosting sites are vulnerable to damage or interruption from floods, fires, power loss, telecommunication failures, and other natural disasters. In addition, our Chicago facility has only two hours of emergency back-up power. Although we are currently working with a third party consulting firm to develop a disaster recovery plan, we do not yet have a formal disaster recovery plan in place. The occurrence of a natural disaster or other unanticipated problems at our facility or at the Exodus facility could result in interruptions in or degradation of our services. Our business interruption insurance may not adequately compensate us for resulting losses. Furthermore, the computer servers running our system are vulnerable to general mechanical breakdown or component failure, computer viruses, physical or electronic break- ins, sabotage, vandalism and similar disruptions, which could lead to loss or corruption of data or prevent us from posting offers on our web site, sending e-mail notifications of new offers or delivering coupons or other certificates to our members. System failure or degradation resulting from under-capacity or from any of these risks could harm our business.

Our business will be seriously harmed if our online security measures fail Because our efforts to attract and retain members depend on potential members' expectations of privacy in using our services, our business could be damaged by any security breach of our database or web site. We may be required to spend significant capital and other resources to protect against security breaches or to alleviate problems caused by these breaches. Someone circumventing our security measures could misappropriate proprietary information, corrupt our database or otherwise interrupt our operations.

We could also be subject to liability as a result of any security breach or misappropriation of our members' personal data. This could include claims for unauthorized purchases with credit card information, impersonation or other similar fraud claims, as well as claims based upon other misuses of personal information, such as unauthorized marketing. These claims could result in costly litigation and could limit our ability to attract and retain advertisers and members. Our security measures may fail to prevent security breaches. Any failure to prevent security breaches will damage our reputation and harm our business.

We may be liable for supplying inaccurate promotional information to consumers We may face liability if the promotional information in the offers available to our members is inaccurate. Our employees may make errors in posting our advertisers' promotions. Our advertisers can enter promotional offers directly into CoolSavings using our SavingsCenter software, and we do not proofread or otherwise verify all of these offers. Any liabilities which we may incur because of inaccurate information in the offers we deliver could harm our business, results of operations and financial condition. Additionally, any negative publicity generated as a result of inaccurate information in the offers we deliver could damage our reputation and diminish the value of our brand name.

We may be harmed by certain activities of our advertisers Our success depends largely upon retailers honoring our printed coupons and upon advertisers reliably delivering and accurately representing the listed goods and services. We have occasionally received, and expect to continue to receive, complaints from our members about retailers' failure to honor our coupons or about the quality of the goods and services featured in our promotions. These complaints may be accompanied by requests for reimbursement or threats of legal action against us. Any resulting reimbursements or related litigation could be costly for us, divert management attention, increase our costs of doing business or otherwise harm our business, financial condition or results of operations. In addition, our advertisers' promotion of their goods and services may not comply with federal, state and local laws. Our role in facilitating advertisers' sales activities may expose us to liability under these laws. If we are exposed to this kind of liability, we could be required to pay substantial fines or penalties, redesign our web site or business processes, discontinue some of our services or otherwise spend resources to avoid liability.

Expanding internationally could be costly and disruptive We intend to expand our business internationally, which will require significant management attention and financial resources. We have no experience in operating internationally, and we may be unable to compete effectively in international markets. International operations are subject to a number of risks and uncertainties, including:

. potentially more stringent regulation and liability standards;

. unexpected changes in regulatory requirements;

. difficulties and costs of staffing and managing international operations;

. differing technological standards;

. varying and evolving legal standards for intellectual property covering Internet-related inventions;

. inadequate protection of intellectual property in some countries;

. difficulties and costs involved in tailoring our services to local advertising practices and customer preferences;

. difficulties in collecting accounts receivable through foreign legal systems;

. fluctuations in the value of the U.S. dollar relative to other currencies; and . potentially adverse tax consequences.

Any of these factors could impair our ability to expand into international markets, or could significantly increase our expenses in future periods. In addition, we may pursue our international expansion strategy by entering into joint ventures or licensing our intellectual property to third parties. We may be unable to control these parties' activities, which could hinder our expansion efforts and could damage our brand.

We are a defendant in a securities-related lawsuit We have been named as a co-defendant in a lawsuit filed in 1999 against our Chief Executive Officer by his ex-wife. This lawsuit is based upon the plaintiff's sale of shares of our common stock to our Chief Executive Officer in March 1998 and makes various allegations including fraud. The suit seeks damages in excess of $6.5 million. While we believe that this lawsuit lacks merit, a negative outcome in this litigation could subject us to substantial damages and negative publicity. Our defense of this litigation, even if successful, could be costly and time-consuming.

Risks Related To Our Industry We depend on widespread acceptance of online direct marketing and promotions Our success depends on the continued growth and acceptance by both consumers and advertisers of online direct marketing and other promotional services available through the Internet. Although incentive promotions and direct marketing have been provided for many years through newspaper inserts, direct mailing and other conventional marketing and sales channels, they have only recently been offered on the Internet. Many of our current or potential advertising customers, particularly traditional offline businesses, have little or no experience using the Internet for advertising purposes, and may be reluctant to spend money on our services. As a result, we face a longer sales cycle when dealing with traditional offline businesses. In addition, some traditional retailers may not readily accept our computer-generated certificates as valid, in part because of their cashiers' lack of familiarity with them and the perceived risk that these coupons can be counterfeited. The other services we offer, including the use of targeted e-mails to alert consumers to savings opportunities, also represent new marketing methods whose acceptance by consumers and advertisers is less certain than traditional marketing methods. Although we do not send unsolicited e-mail, known as "spam," negative public perception associated with "spam" could reduce the demand for our services.

Changes in consumer and advertiser trends could harm our business We derive substantially all of our revenues from fees charged to advertisers. Therefore, we will be affected by changing trends in retail advertising, such as the trend away from periodic promotions and toward "everyday low prices." In addition, many of our advertisers are national retailers and suppliers of consumer products and services. These businesses are affected by the general economy as well as consumer confidence, which

has at times diminished despite otherwise strong financial conditions. Consumer spending also can be affected by trends related to lifestyle, such as changing tastes in fashion or entertainment. Any decline in demand for our services as a result of changes in consumer or advertiser trends could harm our business, results of operations and financial condition.

We may not be able to keep up with rapid technological developments and evolving industry standards The Internet is characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing consumer and advertiser demands. Our future success will depend on our ability to adapt our services to rapidly changing technologies and evolving industry standards and to continually improve the performance, features and reliability of our services. For example, we may be required to adapt our services to be compatible with Internet- connected devices other than traditional personal computers, such as handheld and wireless devices. We may also need to adapt to evolving standards resulting from the convergence of the Internet, television and other media. The widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require us to incur substantial expenditures to modify or adapt our services or infrastructure.

Government regulations could substantially harm our business The adoption or modification of laws or regulations relating to the Internet and Internet-based advertising could harm our business. In particular, our business could be severely damaged by any regulatory restrictions on our collection or use of information about our members.

Laws and regulations that apply to Internet advertising and communications and Internet users' privacy are becoming more prevalent. For example, the United States Congress and Federal Trade Commission recently adopted laws and regulations regarding the online collection and use of information from children and the content of Internet communications, and various states regulate e-mail marketing. However, even in areas where there has been some legislative action, the laws governing the Internet remain largely unsettled. There is no single government body overseeing our industry, and some existing state laws have different and sometimes inconsistent application to our business. It may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, taxation and the need to qualify to do business in a particular state, apply to the Internet and Internet advertising. Also, we conduct trivia quizzes and other contests and sweepstakes on our web site, which may be subject to gaming and sweepstakes laws. Our attempts to comply with these laws may be inadequate, in part because the effect of these laws on our activities is often unclear.

We expect that regulation of the Internet and Internet advertising will intensify. New laws could slow the growth in Internet use and decrease the acceptance of the Internet as a commercial medium, which would harm our business. For example, a number of proposals to tax Internet-based transactions are under consideration by federal, state, local and foreign governmental organizations. A three-year federal moratorium on new state Internet sales tax legislation is currently in effect, but it is scheduled to expire in 2001 and does not preempt existing state tax laws. An increase in the taxation of online transactions or other new regulations could increase our costs of doing business or otherwise harm us

by making the Internet less attractive for consumers and businesses. In addition, existing laws such as those governing intellectual property and privacy may be interpreted to apply to the Internet and Internet advertising. Our strategy to expand into international markets will likely subject us to additional regulation. Foreign countries, for example those in the European Union, often regulate areas such as Internet user privacy more strictly than the United States.

Any enforcement of existing laws and regulations against us, new legislation or regulation, government investigation of our privacy practices or other business methods, or the application of laws from jurisdictions whose laws do not currently apply to us could:

. create uncertainty in the marketplace that could reduce demand for our services;

. limit our ability to collect and to use data from our members, which could prevent us from attracting and retaining advertisers;

. result in expensive litigation, costly and disruptive efforts to respond to governmental investigations and burdensome fines or penalties;

. require us to redesign our web site, registration process, database or targeting methods, any of which could be expensive and disruptive to our business;

. increase the cost of delivering our services to advertisers;

. require us to qualify to do business in additional jurisdictions, or subject us to liability for having failed to qualify to do business wherever our members reside;

. reduce the efficacy of our targeted promotional services; or . in some other manner harm our business, results of operations and financial condition.

Our success depends on the continued growth and performance of the Internet as a medium for commerce Rapid growth and use of the Internet is a recent development. We do not know if use of the Internet will continue to grow or if a sufficiently broad base of consumers will adopt and continue to use the Internet as a medium for commerce. Demand for services and products sold over the Internet is uncertain for a number of reasons, including concerns related to the security of transactions, network reliability and poor performance. Changes in or insufficient availability of telecommunications services to support the Internet also could result in slower response times and reduce usage of the Internet. If use of the Internet does not continue to grow, grows more slowly than expected or does not become a viable commercial marketplace, our business, results of operations and financial condition will suffer.

Our business may suffer if the security of Internet commerce is compromised Concerns about the security of transactions conducted on the Internet and consumer privacy may inhibit the growth of the Internet generally, and online commerce in particular. Any compromise of security involving Internet-based transactions could result in negative publicity and deter people from using the Internet or from using it to conduct transactions that involve transmitting confidential information, such as registering for membership or purchasing goods and services. This could harm our business because many of our advertisers use our services to encourage people to purchase goods or services on the Internet.

Outages and other delays on the Internet could seriously harm our business The increased use of the Internet has caused frequent interruptions and delays in accessing and transmitting data over the Internet. If the use of the Internet continues to grow rapidly, the Internet's infrastructure may not continue to support the demands placed on it and its performance and reliability may decline. Interruptions or delays in Internet transmissions will disrupt our members' ability to access advertisers' offers on our web site and our ability to send target e-mail, which may in turn seriously harm our business and financial results. We also rely on web browser technology to create and target promotional offers. If access to these web-based systems is interrupted, our ability to disseminate new offers will be impaired, which could cause lost revenues or disputes with our advertisers.

We may be adversely affected by problems relating to the Year 2000 issue Problems associated with software and computer systems' use of two digits to define the year, referred to as "Year 2000" issues, could harm our business. Although to date we are not aware of any significant Year 2000 issues relating to our principal internally developed programs and systems, or systems provided to us by others, these systems could experience Year 2000 problems at any time during 2000 and beyond. These problems could disrupt our business and require us to incur significant, unanticipated expenses to remedy them. They could also result in claims and litigation against us, which could subject us to significant costs and could require substantial attention from our management. Similarly, our business could be severely harmed if our Internet service providers and other third parties on which our services depend encounter Year 2000 issues, or if Year 2000 problems cause malfunctions at our facilities or at Exodus Communications' facilities. In addition, Year 2000 problems may arise, limiting our members' ability to access the Internet, "click-through" to our advertisers' web sites or otherwise respond to offers we deliver, which would harm our operating results.

Risks Related To This Offering We may be unable to meet our future capital requirements We currently anticipate that the net proceeds of this offering, together with our available funds, will be sufficient to satisfy our anticipated needs for working capital, capital expenditures and business expansion for at least the next 12 months. After that time, we may need additional capital. However, if our growth rate exceeds our expectations, we may need to raise additional funds sooner in order to fund expansion, to develop new or enhanced products or services, to make strategic acquisitions or to respond to competitive pressures.

We have a $1.0 million bank line of credit. We currently do not have any other commitments for additional financing. Additional financing may not be available to us on favorable terms or at all. If adequate funds are not available on acceptable terms, we may not be able to continue or expand our business operations. This in turn could harm our business, results of operations and financial condition. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our existing stockholders will be diluted. Furthermore, any new securities could have rights, preferences and privileges senior to those of our common stock.

Existing stockholders will exercise significant control over us, and third parties may be deterred from acquiring us Our executive officers, directors and entities affiliated with them will, in the aggregate, beneficially own approximately % of our outstanding common stock immediately after this offering. As

a result, these stockholders, if acting together, will have the ability to control all matters requiring approval by our stockholders, including the election and removal of directors and the approval of any merger, consolidation or sale of all or substantially all of our assets. This could discourage others from initiating potential merger, takeover or other change of control transactions, which could cause our stock price to decline.

In addition, provisions of our Articles of Incorporation, our Bylaws and Michigan law could make it difficult for a third party to acquire us or change our management, even if doing so would be beneficial to our stockholders. Please see "Description of Capital Stock."

Our stock price is likely to be highly volatile, and you may not be able to sell your shares at a profit The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as the following, many of which are beyond our control:

. quarterly variations in our operating results;

. operating results that vary from the expectations of securities analysts and investors;

. changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;

. changes in market valuations of other Internet companies;

. loss of a major advertiser;

. resolution of our pending or future patent litigation or other changes in the status of our intellectual property rights;

. announcements of significant claims or legal proceedings against us;

. announcements of technological innovations or new services by us or our competitors;

. announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

. departures of key personnel; and . future sales of our common stock.

Domestic and international stock markets often experience extreme price and volume fluctuations. The market prices of the securities of Internet-related and technology companies, particularly following an initial public offering, are often highly volatile and subject to wide fluctuations that bear little relation to actual operating performance of these companies. As a result, investors may be unable to sell shares of our common stock at or above the price they paid for the stock.

In the past, some companies that have experienced volatility in the market price of their stock have been the object of securities class action litigation. Securities class action litigation involving CoolSavings would result in substantial costs and a diversion of management's attention and resources, and would harm our stock price.

Substantial sales of our common stock could cause our stock price to fall

After this offering, we will have approximately shares of common stock outstanding, or shares if the underwriters' over-allotment option is exercised in full. The shares sold in this offering, or shares if the underwriters' over-allotment option is exercised in full, will be freely tradable without restriction or further registration under the federal securities laws unless purchased by our affiliates. The remaining shares of common stock outstanding after this offering will be available for sale in the public market as follows:

Number of Shares Date of Availability for Sale Immediately after the date of this prospectus 180 days after the effective date of the registration statement containing this prospectus At various times after 180 days following the effective date of the registration statement containing this prospectus The above table assumes the effectiveness of lock-up arrangements with the underwriters under which substantially all of our stockholders have agreed not to sell or otherwise dispose of their shares of common stock. Most of the shares that will be available for sale after the expiration of the lock-up period will be subject to volume limitations because they are held by our affiliates. In addition, Hambrecht & Quist LLC may remove these lock-up restrictions prior to the expiration of the lock-up period without prior notice.

If our stockholders sell substantial amounts of common stock in the public market, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. Please see "Shares Eligible for Future Sale."

You may not be able to sell shares of common stock Prior to this offering, there has been no public market for our common stock. An active public market may not develop or be sustained after this offering. If there is no active public market in our common stock, investors may not be able to sell our common stock should they desire to do so. The initial public offering price for our shares will be determined by negotiations between CoolSavings and representatives of the underwriters and may bear no relationship to the price at which our common stock will trade after this offering.

Our management has broad discretion over the use of the offering proceeds and might not use them in a manner which yields a favorable return The net proceeds from this offering are estimated to be approximately $ million after deducting the estimated underwriting discount and estimated offering expenses. Our management will retain broad discretion over how to use the proceeds of this offering. Our investments of these proceeds may not yield a favorable return.

You will experience immediate and substantial dilution The initial public offering price is expected to be substantially higher than the net tangible book value for each outstanding share of common stock. Purchasers of common stock in this offering will incur immediate and substantial dilution in net tangible book value per share. The dilution will be $ per share in the net tangible book value of the common stock from the assumed initial public offering price. You may also incur further dilution upon the exercise of our outstanding stock options.

Forward-looking Statements

This prospectus contains forward-looking statements that involve risks and uncertainties. These statements relate to our future plans, objectives, expectations and intentions, and the assumptions underlying or relating to any of these statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "anticipates," "expects," "plans," "estimates," "intends," "believes," "predicts" and similar expressions. Our actual results could differ materially from those discussed in these statements. Factors that could contribute to these differences include, but are not limited to, those discussed above under "Risk Factors" and elsewhere in this prospectus. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results, unless required by applicable securities laws.

Use of Proceeds

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   We estimate that the net proceeds from the sale of the    shares of common
stock offered by us will be approximately $    million, or $   million if the
underwriters' overallotment option is exercised in full, assuming an initial
public offering price of $    per share, and after deducting estimated
underwriting discounts and commissions and other estimated offering expenses.
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We intend to use the proceeds from this offering for general corporate purposes, including working capital, capital expenditures and additional sales and marketing efforts. We may also use a portion of the net proceeds, currently intended for general corporate purposes, to acquire or invest in complementary businesses, technologies, products or services. We have no present plans or commitments and we are not currently engaged in negotiations for any such transactions. Our management will retain broad discretion in the allocation of the net proceeds of this offering.

Pending these uses, we intend to invest the net proceeds in short-term, investment grade, interest-bearing securities.

Dividend Policy

We have never declared nor paid any cash dividends on our common stock. We currently anticipate that we will retain any future earnings for the development and operation of our business. In addition, our credit facility currently prohibits the payment of cash dividends on our capital stock. Accordingly, we do not anticipate paying cash dividends on our capital stock in the foreseeable future.

Capitalization

The following table sets forth our capitalization, as of September 30, 1999:

. on an actual basis;

. on a pro forma basis after giving effect to the issuance of 2,197.650 shares of our Series A convertible preferred stock in December 1999 for consideration of $20.0 million, the issuance of 8.000 shares of common stock pursuant to the exercise of options since September 30, 1999, the conversion of all outstanding convertible subordinated notes into shares of common stock assuming an initial public offering price of $ per share, and the conversion of all outstanding Series A convertible preferred stock into shares of common stock; and . on the same pro forma basis as adjusted to reflect the receipt of the estimated net proceeds from our sale of the shares of common stock in this offering at an assumed initial public offering price of $ per share.

You should read the following table with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this prospectus.

September 30, 1999 Pro Forma Actual Pro Forma As Adjusted (in thousands)

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Long-term debt, including current portion..... $  2,425     $          $
Stockholders' equity:
  Series A convertible preferred stock, no par
   value, 5,000 shares authorized; no shares
   issued and oustanding actual;      shares
   issued and outstanding pro forma; no shares
   issued and outstanding pro forma, as
   adjusted.................................      --
  Common stock, no par value, 60,000 shares
   authorized and 27,570.651 shares issued and
   outstanding actual;      shares authorized
   and      shares outstanding pro forma;
   shares authorized and      shares
   outstanding pro forma, as adjusted.....   27,824
  Additional paid-in capital.................      455
  Notes receivable from related parties.....   (2,817)
  Accumulated deficit.......................  (19,148)
    Total stockholders' equity..............    6,314
    Total capitalization..................... $  8,739
```

Share information is based on our shares outstanding as of September 30, 1999, and excludes:

. 4,135.598 shares of common stock reserved for issuance under our 1997 Stock Option Plan, of which 2,734.380 shares were subject to outstanding options as of September 30, 1999 at a weighted average exercise price of $2,356.89 per share;

. 282.380 shares of common stock subject to options granted outside of our 1997 Stock Option Plan and outstanding as of September 30, 1999 at an exercise price of $318.72 per share; and . 551.413 shares of common stock reserved for issuance under our 1999 Non- Employee Director Stock Option Plan, of which 50.000 shares were subject to outstanding options as of September 30, 1999 at a weighted average exercise price of $5,023.54 per share.

Dilution

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   Our pro forma net tangible book value as of September 30, 1999 was
approximately $    million, or $    per share of common stock. Pro forma net
tangible book value per share is equal to our net tangible assets less total
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liabilities, divided by the pro forma number of shares of common stock outstanding as of September 30, 1999. At an assumed initial public offering price of $ per share, after giving effect to the conversion of outstanding convertible subordinated notes into shares of common stock, the conversion of shares of outstanding Series A convertible preferred stock into shares of common stock and the sale of shares of common stock in this offering, our pro forma as adjusted net tangible book value at September 30, 1999 would have been approximately $ million, or $ per share of common stock. This amount represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in net tangible book value of $ per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share..... $ Pro forma net tangible book value per share at September 30, 1999..... $ Increase per share attributable to new investors..... Pro forma net tangible book value per share after the offering..... Dilution per share to new investors..... $ The following table summarizes, as of September 30, 1999 on the pro forma basis described above, the total number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid by our existing stockholders and by new investors purchasing shares from us in the offering, at an assumed initial public offering price of $ per share, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders...		%	$	%	$
New investors.....					
Total.....		100%		100%	

If the underwriters exercise their over-allotment option in full, the number of shares of common stock held by new investors will be increased to or % of the total number of shares of common stock to be outstanding immediately after this offering.

Share information is based on our shares outstanding as of September 30, 1999, and excludes:

. 4,135.598 shares of common stock reserved for issuance under our 1997 Stock Option Plan, of which 2,734.380 shares were subject to outstanding options as of September 30, 1999 at a weighted average exercise price of $2,356.89 per share;

. 282.380 shares of common stock subject to options granted outside of our 1997 Stock Option Plan and outstanding as of September 30, 1999 at an exercise price of $318.72 per share; and . 551.413 shares of common stock reserved for issuance under our 1999 Non- Employee Director Stock Option Plan, of which 50.000 shares were subject to outstanding options as of September 30, 1999 at a weighted average exercise price of $5,023.54 per share.

Selected Financial Data

The selected financial data set forth below as of and for the years ended December 31, 1996, 1997 and 1998 have been derived from our financial statements, which have been audited by PricewaterhouseCoopers LLP, independent accountants, whose report thereon is included elsewhere in this prospectus. The statement of operations data for the nine months ended September 30, 1998 and 1999, and the balance sheet data as of September 30, 1999, are unaudited and, in our opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the information. The results of operations for the nine months ended September 30, 1999 are not necessarily indicative of results to be expected for any future period.

You should read the selected financial data set forth below with the financial statements and related notes and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus.

	Inception through December 31,	Year Ended December 31,			Nine Months Ended September 30,	
	1995	1996	1997	1998	1998	1999
	(in thousands, except share and per share data)					

Statement of Operations Data: Net revenues..... $ -- $ -- $ 110 $ 1,143 $ 663 $ 6,240 Cost of revenues..... -- -- 148 428 264 1,043 Gross profit (loss).... -- -- (38) 715 399 5,197 Operating expenses: Sales and marketing..... -- 253 1,202 2,494 1,464 8,031 Product development..... -- 131 719 1,217 698 3,220 General and administrative..... 16 499 766 2,350 1,417 3,981 Total operating expenses..... 16 883 2,687 6,061 3,579 15,232 Loss from operations.. (16) (883) (2,725) (5,346) (3,180) (10,035) Interest income (expense), net..... -- 9 (3) 40 6 249 Amortization of debt discount..... -- -- (4) (435) (435) -- Net loss..... $ (16) $ (874) $ (2,732) $ (5,741) $ (3,609) $ (9,786) Historical loss per common share, basic and diluted..... $ (0.00) $ (73.40) $ (171.97) $ (306.42) $ (185.72) $ (355.21) Shares used to compute historical basic and diluted loss per common share..... 9,532.877 11,910.725 15,883.975 18,736.675 19,430.790 27,548.912 Pro forma loss per common share, basic and diluted..... $ ( ) $( ) Shares used to compute pro forma basic and diluted loss per common share.....

December 31, ---------- September 30, 1996 1997 1998 1999 (in thousands)

Balance Sheet Data:				
Cash and cash equivalents.....	$449	$ 64	$4,895	$ 5,295
Working capital (deficit).....	116	(886)	3,788	3,941
Total assets.....	471	353	6,371	14,275
Long-term debt, including current portion.....	300	241	300	2,425
Total stockholders' equity (deficit)...	(4)	(775)	4,594	6,314

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations with the financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements based on our current expectations, assumptions, estimates and projections. These forward-looking statements involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous factors, many of which are described in the "Risk Factors" section and elsewhere in this prospectus. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results, unless required by applicable securities laws.

Overview

We are a leading provider of a comprehensive set of e-marketing solutions used by online and offline advertisers to build one-to-one customer relationships. Under our established brand, advertisers can deliver, target and track a wide array of incentives, including printed and electronic coupons, personalized e-mails, rebates, samples, sales notices, loyalty programs, gift certificates, contests and banner advertisements to promote sales of products or services in stores or online. We were incorporated in December 1994 as Interactive Coupon Marketing Group, Inc. and changed our corporate name to coolsavings.com inc. in November 1998. From inception through February 1997, our primary activities consisted of initiating sales and marketing efforts, developing our business model, building our software and hardware infrastructure, developing and protecting our intellectual property, raising capital and recruiting employees. We launched our web site in February 1997 and thereafter began generating revenues.

We generate substantially all of our revenues by providing online marketing, or e-marketing, services to our advertisers. Our advertisers pay us on a variety of bases, the most common of which include:

. the number of offers delivered to members, commonly sold on a cost per thousand, or CPM, basis;

. the number of click-through responses generated;

. the number of purchases made or qualified leads generated; and . the number of registered members in our database.

Our pricing depends upon a variety of factors, including, without limitation, the degree of targeting, the duration of the advertising contract and the number of offers delivered. These rates often are negotiated on a case- by-case basis. Generally, the rates we charge our advertisers increase as the degree of targeting and customization increases. Revenues subject to time-based contracts are recognized ratably over the duration of the contract. For contracts based on certain performance or delivery criteria, revenues are recognized in the month performance is delivered to the customer. Most of our advertising contracts have stated terms of less than one year and include earlier termination

provisions. During the nine months ended September 30, 1999, our largest advertiser accounted for approximately 6.0% of our revenues and our top five advertisers together accounted for approximately 19.0% of our revenues.

Our revenues depend on a number of factors, including the number of advertisers sending promotional offers to our members, the size of our membership base and the responsiveness of our members to each promotion. We believe that our revenues will be subject to seasonal fluctuations in accordance with general patterns of retail advertising spending, which is typically highest during the fourth quarter. In addition, expenditures by advertisers tend to be cyclical, reflecting overall general economic conditions and consumer buying patterns.

Our cost of revenues consists primarily of Internet connection charges, web site equipment depreciation, salaries of operations personnel and other related operations costs. Although our cost of revenues as a percentage of revenues declined significantly for each of the three quarters ended September 30, 1999, we have recently expanded, and expect to continue to expand significantly, our web server capacity and our investment in data mining tools and personnel. This will require us to commit relatively large fixed expenses in advance of potential future revenues. As a result, we expect to incur substantially higher cost of revenues during future periods. We have added, and anticipate that we will continue to add, new advertisers, necessitating this investment in infrastructure. Due to our planned capacity expansion, our fixed costs to operate our business and gross profit will suffer in the near term unless and until increased revenues are realized. The demand for our services is subject to seasonal variations. We will likely experience declines in our gross margin from quarter to quarter.

We have incurred significant losses since our inception. As of September 30, 1999, our accumulated deficit was approximately $19.1 million. We expect to continue to incur significant operating losses and capital expenditures. In particular, we expect to invest heavily in sales and marketing activities, hiring new personnel, enhancing services and technology, expanding and relocating facilities and defending intellectual property rights. In addition, we presently have six lawsuits pending against companies we believe have infringed our patent. This litigation has been, and will continue to be, costly and is likely to continue over the course of several years. The related expense may exceed the amount we have budgeted in any given quarter.

Results of Operations From our inception until December 31, 1996, we were engaged in start-up activities and incurred approximately $899,000 of operating expenses. These operating expenses primarily consisted of investments in technology and personnel. We earned no revenues during this period. As a result, we believe comparisons between the period ended December 31, 1996 and the year ended December 31, 1997 are not meaningful.

The following is a table of our results of operations in 1997 and 1998, together with the nine months ended September 30, 1998 and 1999, expressed as a percentage of net revenues represented by each item.

Year Ended December 31,		Nine Months Ended September 30,	
1997	1998	1998	1999

Net revenues.....	100.0%	100.0%	100.0%	100.0%
Cost of revenues.....	134.4	37.4	39.8	16.7
Gross profit (loss).....	(34.4)	62.6	60.2	83.3
Operating expenses:				
Sales and marketing.....	1,097.2	218.3	220.9	128.7
Product development.....	657.1	106.5	105.4	51.6
General and administrative.....	699.7	205.6	213.8	63.8
Total operating expenses.....	2,454.0	530.4	540.1	244.1
Loss from operations.....	(2,488.4)	(467.8)	(479.9)	(160.8)
Other income:				
Interest income (expense), net.....	(2.1)	3.5	0.9	4.0
Amortization of debt discount.....	(3.8)	(38.1)	(65.7)	--
Net loss.....	(2,494.3)%	(502.4)%	(544.7)%	(156.8)%

Nine Months Ended September 30, 1999 and 1998 Net Revenues Net revenues increased 842% to $6.2 million for the nine months ended September 30, 1999, from $663,000 for the nine months ended September 30, 1998. The increase in net revenues was primarily due to expanded service offerings, an increase in the number of advertisers, increases in our advertising rates and application of those rates to an expanded membership base.

Gross Profit

Cost of revenues increased to $1.0 million for the nine months ended September 30, 1999, from $263,000 for the nine months ended September 30, 1998. Gross profit increased as a percentage of net revenues to 83.3% for the nine months ended September 30, 1999, from 60.2% for the nine months ended September 30, 1998. The absolute dollar increases in cost of revenues was primarily due to building our server and networking infrastructure in response to the growth in activity by our members and the hiring of additional operations personnel to service our increased advertiser base. However, our gross profit percentage increased because cost of revenues increased at a lesser rate than net revenues.

Operating Expenses

Sales and Marketing. Sales and marketing expenses consist primarily of advertising, salaries of sales and marketing personnel, commissions and other marketing related expenses. Sales and marketing expenses increased to $8.0 million, or 129% of net revenues, for the nine months ended September 30, 1999, from $1.5 million, or 221% of net revenues, for the nine months ended September 30, 1998. The $6.5 million dollar increase in sales and marketing expenses was primarily due to increased expenses associated with promotional and marketing efforts, increases in the number of sales personnel and increased sales commissions. Sales and marketing expenses as a percentage of net revenues decreased due to the growth in net revenues. We expect that sales and marketing expenses will grow significantly in absolute dollars for the foreseeable future as we pursue an aggressive customer acquisition strategy and hire additional sales and marketing personnel.

Product Development. Product development expenses consist primarily of salaries of software development personnel and expenditures related to third- party technical consultants. Product development expenses increased to $3.2 million, or 51.6% of net revenues, for the nine months ended

September 30, 1999, from $698,000, or 105% of net revenues, for the nine months ended September 30, 1998. The absolute dollar increase in product development expenses was primarily due to increased personnel and associated software costs related to enhancing the features and functionality of our web site and costs incurred in our Year 2000 readiness effort. Product development expenses decreased as a percentage of net revenues due to the growth in net revenues. To date, all product development expenditures have been expensed as incurred. We believe that significant investments in product development will be necessary to remain competitive, and as a result we expect our product development expenses will increase in absolute dollars for the foreseeable future.

General and Administrative. General and administrative expenses consist primarily of salaries and related expenses for executive and administrative personnel, facilities, professional services, including legal expenses relating to protection of our patent rights, travel and other general corporate expenses. General and administrative expenses increased to $4.0 million, or 63.8% of net revenues, for the nine months ended September 30, 1999, from $1.4 million, or 214% of net revenues, for the nine months ended September 30, 1998. The absolute dollar increase in general and administrative expenses was primarily due to increases in the number of personnel to support the growth of our business, recruiting costs related to filling key management positions and legal fees. General and administrative expenses decreased as a percentage of net revenues due to the growth in net revenues. We expect that general and administrative expenses will grow significantly in absolute dollars for the foreseeable future as a result of a higher occupancy expense associated with our move to larger office space planned for mid-2000 and as we continue to expand our administrative systems to support our planned growth and operations as a public company.

Interest Income, Net

Interest income, net, includes income from our cash and investments and expenses related to our financing obligations. Interest income, net, increased to $250,000 for the nine months ended September 30, 1999, from $6,000 for the nine months ended September 30, 1998. The increase in interest income was primarily due to a higher average cash balance as a result of the receipt of the proceeds of the issuance of shares of our common stock and of convertible subordinated notes during these periods.

Income Taxes

As of September 30, 1999, we had approximately $14.9 million of federal and state net operating loss carryforwards, which may be available to offset future taxable income. Our federal and state net operating loss carryforwards expire beginning in 2018. From our formation through June 1, 1998, we elected, under Section 1362(a) of the Internal Revenue Code, to be treated as an S-corporation for income tax purposes. Accordingly, we were not liable for federal income taxes during that period and any taxable income was included in the tax returns of our stockholders.

Year Ended December 31, 1998 and 1997 Net Revenues Net revenues increased 944% to $1.1 million in 1998, from $110,000 in 1997. The increase in net revenues was primarily due to an increase in the number of advertisers and an increase in our advertising rates and application of those rates to our expanded membership base.

Gross Profit (Loss)

Cost of revenues increased to $428,000 in 1998, from $147,000, in 1997. Gross profit increased as a percentage of net revenues to 62.6% in 1998. We do not believe gross profit comparisons with 1997 are meaningful. In 1997, we incurred fixed costs associated with the development of our technology infrastructure and services prior to the realization of meaningful revenues. We were able to leverage this investment in 1998 to generate revenues which accounted for our increased gross profit.

Operating Expenses

Sales and Marketing. Sales and marketing expenses increased to $2.5 million, or 218% of net revenues, in 1998, from $1.2 million, or 1,097% of net revenues, in 1997. The absolute dollar increase in sales and marketing expenses was primarily due to the addition of a direct sales force which we began building in the second half of 1998 and increases in customer acquisition and marketing expenses. Sales and marketing expenses as a percentage of net revenues decreased due to the growth in net revenues.

Product Development. Product development expenses increased to $1.2 million, or 106% of net revenues, in 1998, from $720,000, or 657% of net revenues, in 1997. The absolute dollar increase in product development expenses was primarily due to increases in the number of personnel and related costs to support enhancement of our web site features and functionality. Product development expenses as a percentage of net revenues decreased due to the growth in net revenues.

General and Administrative. General and administrative expenses increased to $2.3 million, or 206% of net revenues, in 1998, from $766,000, or 700% of net revenues, in 1997. The absolute dollar increase in general and administrative expenses was primarily due to increases in the number of general and administrative personnel, professional services and facility expenses to support the growth of our operations. General and administrative expenses as a percentage of net revenues decreased due to the growth in net revenues.

Interest Income (Expense), Net Interest income, net, increased to $40,000 in 1998, from an interest expense, net, of $2,000 in 1997. This increase was primarily due to a higher average cash balance as a result of the receipt of the proceeds of the issuance of shares of our common stock in the second and fourth quarters of 1998.

Amortization of Debt Discount Amortization of debt discount increased to $435,000, or 38.1% of net revenues, in 1998, from $4,000, or 3.8% of net revenues, in 1997. In December 1997 and during the period between January and April 1998, we entered into loan agreements with detachable warrants. Amortization of debt discount is a non- cash charge representing the difference between the stated value and the fair market value of the loan.

Quarterly Results of Operations The following table presents unaudited quarterly statement of operations data for each of the three quarters ended September 30, 1999, as well as the percentage of net revenues represented by each item. This information is unaudited and in our opinion has been prepared substantially on the same basis as our audited financial statements, which are included elsewhere in this prospectus. All necessary adjustments, consisting only of normal recurring

adjustments, have been included in these amounts to present fairly the unaudited quarterly results of operations. You should read these quarterly data together with our audited financial statements and the related notes. Our future operating results are difficult to predict and may vary significantly. Accordingly, you should not view our results of operations for any period as an indication of our results of operations for any future period.

	Three Months Ended		
	March 31, 1999	June 30, 1999	Sept. 30, 1999
	(in thousands)		
Net revenues	$ 890	$ 2,074	$ 3,276
Cost of revenue	257	349	437
Gross profit	633	1,725	2,839
Operating expenses:			
Sales and marketing	1,325	1,819	4,887
Product development	956	1,129	1,135
General and administrative	1,007	1,328	1,646
Total operating expenses	3,288	4,276	7,668
Loss from operations	(2,655)	(2,551)	(4,829)
Interest income, net	70	105	74
Net loss	$ (2,585)	$ (2,446)	$ (4,755)

As a Percentage of Net Revenues

Net revenues	100.0%	100.0%	100.0%
Cost of revenue	28.9	16.8	13.3
Gross profit	71.1	83.2	86.7
Operating expenses:			
Sales and marketing	148.9	87.7	149.2
Product development	107.4	54.5	34.6
General and administrative	113.1	64.0	50.3
Total operating expenses	369.4	206.2	234.1
Loss from operations	(298.3)	(123.0)	(147.4)
Interest income, net	7.9	5.1	2.3
Net loss	(290.4)%	(117.9)%	(145.1)%

Our quarterly results are subject to fluctuations. For example, for the quarter ended September 30, 1999, we initiated an offline advertising campaign in which we spent $2.6 million. This resulted in a significant increase, in absolute dollars as well as a percentage of net revenues, in our sales and marketing expenses.

Our future operating results may vary significantly due to a variety of factors, many of which are beyond our control. In addition, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful. Factors affecting our operating results may include:

. advertisers' demand for and use of our services;

. seasonality of our advertisers' offers and their budgeting cycles;

. performance-based contracts, under which our revenues depend on members' responsiveness to advertisers' offers;

. loss of advertisers, many of which are under short-term contracts with us;

. changes in our pricing policies or those of our competitors;

. the mix of advertisements and services we sell;

. our members' demand for our services and response to the offers we make available to them;

. litigation costs;

. the timing and amount of costs related to the expansion of our operations; and . changes in and the timing of the costs we incur to attract members.

As a result, our revenues are difficult to forecast. In addition, we plan to significantly increase our sales and marketing, product development and other operating expenses. We may be unable to reduce spending quickly enough to offset any unexpected revenue shortfall, which could cause our business and operating results to suffer. Our limited operating history and rapid growth also make it difficult for us to assess the impact of seasonal factors on our business. Advertising sales in traditional media, such as television and radio, generally are lower in the first and third calendar quarters of each year. Our revenues may be affected by these seasonal factors and by any seasonal and cyclical patterns in Internet advertising spending which may develop. Please see "Risk Factors--Our quarterly financial results may fluctuate, making our future financial results difficult to forecast."

Liquidity and Capital Resources Since our inception, we have financed our operations primarily through the private placement of our capital stock and convertible subordinated notes. As of September 30, 1999, we had approximately $5.3 million in cash and cash equivalents.

Net cash used in operating activities increased to $7.5 million for the nine months ended September 30, 1999, from $3.2 million for the nine months ended September 30, 1998 and increased to $4.8 million in 1998 from $2.4 million in 1997. The increase in net cash used resulted primarily from increasing net losses and increases in accounts receivable, partially offset by increases in accounts payable and accrued expenses.

Net cash used in investing activities increased to $2.3 million for the nine months ended September 30, 1999, from $765,000 for the nine months ended September 30, 1998, resulting from increased purchases of property and equipment. Net cash used in investing activities increased to $1.1 million in 1998 from $225,000 in 1997, resulting from increased purchases of property and equipment and amounts used in developing our database.

Net cash provided by financing activities increased to $10.2 million for the nine months ended September 30, 1999, from $5.6 million for the nine months ended September 30, 1998, primarily as a result of $10.0 million of proceeds from our issuance of securities. Net cash provided by financing activities increased to $10.7 million in 1998 from $2.2 million in 1997, resulting primarily from the cash proceeds received in 1998 from our issuance of shares of common stock. We invested these proceeds in money market funds with maturities not exceeding 90 days. We intend to continue investing our excess cash in similar securities.

As of September 30, 1999, we had a bank line of credit of $1.0 million. Borrowings under this line of credit were $925,000. This credit facility provides for a $1.0 million revolving facility for capital equipment purchases, and bears interest at the bank's prime rate plus 1.0%. Borrowings under this line

of credit are collateralized by the specific equipment purchased. Principal balances under these borrowings are repaid over 48 months.

In October 1999, Lend Lease International Pty. Limited purchased approximately $3.5 million of our convertible subordinated notes, under its commitment entered into in April 1999. In December 1999, we completed a private placement of 2,197.650 shares of Series A convertible preferred stock for an aggregate purchase price of $20.0 million.

Our capital requirements depend on numerous factors, including market acceptance of our services, the resources we devote to marketing and selling our services and our investment in developing and promoting our brand. We have experienced a substantial increase in capital expenditures since our inception consistent with the growth in our operations and staffing, and we anticipate that this will continue for the foreseeable future. Additionally, we will continue to evaluate possible investments in businesses, products and technologies, and plan to expand our sales and marketing programs and conduct more aggressive brand promotions. We currently anticipate that the net proceeds of this offering, together with our existing line of credit and available funds, will be sufficient to meet our anticipated needs for working capital and capital expenditures for at least the next 12 months. After that time, we may need additional capital. However, if our growth rate exceeds our expectations, we may need to raise additional funds sooner in order to fund expansion, to develop new or enhanced products or services, to make strategic acquisitions or to respond to competitive pressures. Additional financing may not be available to us on favorable terms, or at all. If adequate funds are not available on acceptable terms, we may not be able to continue or expand our business operations which could harm our business, results of operations and financial condition.

Year 2000 Compliance

Problems associated with software and computer systems' use of two digits to define the year and the inability of computer systems to process dates occurring in the year 2000 or beyond are referred to as "Year 2000" issues. Although to date we have not experienced any significant Year 2000 issues relating to our principal internally developed programs and systems, or systems provided to us by others, these systems could experience Year 2000 problems at any time during 2000 and beyond. These problems could disrupt our business and require us to incur significant, unanticipated expenses to remedy them. We cannot guarantee that our Internet service providers and other third parties on which our services depend will not encounter Year 2000 issues.

In 1998, we engaged an independent consultant to assess the Year 2000 readiness of our systems and software. The consultant concluded its work in 1999. The items we examined for Year 2000 issues include: our web site and its supporting software and hardware; our telecommunications systems and networking infrastructure; the systems supporting our office facilities; and the hardware and software used by our employees, vendors and partners. We also sought assurances on Year 2000 compliance from our telecommunications providers, material hardware and software vendors, the management company for our office facilities and other key third-party vendors.

As of September 30, 1999, we had incurred approximately $266,000 in connection with identifying and evaluating Year 2000 compliance issues and mitigating identified deficiencies. However, if future expenses relating to Year 2000 compliance are higher than anticipated, it could have a material adverse effect on our business, results of operations and financial condition.

Recent Accounting Pronouncements The Financial Accounting Standards Board, or FASB, issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," in June 1997. SFAS No. 131 specifies revised guidelines for determining an entity's operating segment and the type and level of financial information to be disclosed. This standard requires that management identify operating segments based on the way that management desegregates the entity for making internal operating decisions. This statement is effective for fiscal years beginning after December 15, 1997. We currently operate under the definition of one segment. Therefore, SFAS No. 131 is not applicable to us.

In February 1998, the FASB issued SFAS No. 132 "Employer's Disclosures about Pensions and Other Post-Retirement Benefits." SFAS No. 132 standardizes the disclosure requirements for pension and other post-retirement benefits. The statement is effective for fiscal years beginning after December 15, 1997. We do not have a pension or other post-retirement plan. Therefore, SFAS No. 132 is not applicable to us.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and hedging activities and requires recognition of all derivatives as assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The statement, as amended, is effective for fiscal years beginning after June 15, 2000. As we do not have any derivative instruments or hedging activities, SFAS No. 133 is not expected to have a material effect on our financial results.

Business

CoolSavings is a leading provider of a comprehensive set of e-marketing services used by online and offline advertisers to build one-to-one customer relationships. Under our established brand, advertisers can deliver, target and track a wide array of incentives, including printed and electronic coupons, personalizede-mail, rebates, samples, sales notices, loyalty programs, gift certificates, contests and banner advertisements, to promote their products or services in any online or offline environment. We deliver these incentives to targeted segments of our large audience of consumers through our web site, coolsavings.com, or direct e-mails. Our members have registered their demographic profiles with us and have given us permission to deliver personalized savings opportunities to them. As of December 31, 1999, we had over 5.0 million registered members, representing nearly 3.9 million households. We analyze our database of member registration and shopping preference data with sophisticated data mining, targeting and tracking technology to help our advertisers execute effective promotional campaigns. The diversity of the incentives we offer and the variety of places where our members can redeem them further enrich our member profiles for future data mining. In 1999, our advertisers

included leading brands such as barnesandnoble.com, Bigstar, CDNow, First USA, JC Penney, Kids "R" Us, MCI WorldCom, MotherNature.com, NetGrocer, petsmart.com, Service Merchandise, SmarterKids.com and US News & World Report.

Industry Background

The Growth of the Internet as an Advertising and Direct Marketing Medium The Internet has emerged as a unique global communications medium, enabling millions of people to interact and conduct business electronically. International Data Corporation, commonly referred to as IDC, estimates that the number of Internet users worldwide will grow to approximately 502 million by the end of 2003 from approximately 196 million in 1999. The rapid expansion of the Internet combined with its business efficiencies have led to significant growth in electronic commerce and attracted a broad group of buyers and sellers. IDC estimates that the total value of commerce over the Internet will increase to $1.3 trillion in 2003 from $111 billion in 1999. IDC further estimates that the percentage of Internet users buying goods and services on the Internet will increase to approximately 36% in 2003 from approximately 24% at the end of 1999.

The growth of Internet use has prompted e-commerce companies to increase their spending on advertising and direct marketing on the Internet. It has also spurred traditional businesses to devote larger portions of their marketing budgets to advertising and direct marketing online. During the early stages of the development of online advertising, most businesses used the Internet to build general brand awareness and for customer acquisition. Consequently, the rapidly growing market for Internet marketing was dominated by banner advertising and unsolicited e-mails sent to lists of consumers. While these advertisements may be targeted to a limited extent by the content on the web page or by demographic information, they generally have not permitted the advertiser to re-contact the consumer unless the consumer makes a purchase or voluntarily provides personal information. More recently, response rates on banner advertising and mass unsolicited e-mails have proven to be similar to those of traditional newspaper inserts, general direct mail and telemarketing. Recognizing these developments, businesses increasingly have sought to use the unique advantages of the Internet for direct marketing.

The Emergence of E-Marketing Services Advertisers use direct marketing in order to generate a specific response or action from a targeted group of consumers. Traditionally, advertisers have used direct mail, telemarketing and direct response television, or infomercials, in their direct marketing campaigns. These campaigns typically provide consumers with access to coupons, rebates, sweepstakes and loyalty programs. These types of promotions have been recognized in offline marketing as a means to develop and foster long-term customer relationships. According to the Direct Marketing Association, offline expenditures on direct marketing, including promotions are expected to grow to $222 billion in 2003 from $143 billion in 1998.

Effective and efficient means of marketing have become more important as advertisers seek to lower the costs of customer acquisition and retention. As pressures from competitors raise these acquisition and retention costs, businesses seek sophisticated and cost-effective direct marketing methods to increase the loyalty and lifetime value of a customer through repeat visits and purchases. At the same time, advertisers are sensitive to the growing concerns of consumers and the government regarding the

privacy of personal data and the intrusion of unwanted advertising messages. Online and offline advertisers are increasingly using the Internet for direct marketing to exploit its unique interactivity and cost advantages relative to traditional methods. Forrester Research projects that online direct marketing will account for 50% to 70% of a projected $10.4 billion in total U.S. online advertising spending in 2002.

The compelling advantages of the Internet as a direct marketing medium have led to the development of e-marketing services that enable businesses to drive customer acquisition, retention and loyalty. E-marketing services can leverage Internet technology to:

. deliver personalized promotions to those consumers most likely to respond;

. deliver multiple forms of targeted and controlled promotions at a household or individual level (for instance, many online advertisers seek to reach a target audience of women, who are the principal shoppers in approximately 74% of U.S. households, according to Mediamark Research Inc.);

. allow businesses to take advantage of consumer-specific data, such as registration and transaction information;

. provide marketing messages with promotions that motivate immediate consumer response;

. enable tracking of campaign performance and shopper behavior allowing an advertiser to learn and adjust campaigns in near real time; and . enable data mining to target consumers based on demographic data and shopping preference information learned from past activity.

While online companies are the most frequent users of e-marketing services, traditional offline businesses such as national retailers and consumer packaged goods manufacturers are increasingly seeking to use e-marketing services to drive offline sales and build consumer relationships. In addition, through e- marketing services, offline businesses that also sell online can potentially integrate their offline and online marketing campaigns and provide their customers the choice of shopping in stores or online.

Market Opportunity for a Comprehensive E-Marketing Solution To date, advertisers wishing to employ e-marketing services have had to rely on several different service providers in order to deliver a range of specific promotional or advertising services, in each case to relatively small or segmented audiences. In addition, many e-marketing services have been focused only on online promotional activities and have not provided an integrated online and offline solution.

We believe there is a substantial market opportunity for a comprehensive e- marketing solution that provides the following:

. a single source of both online and offline promotional services for advertisers that extends over the different stages of a customer relationship, from first-time purchase to repeat usage;

. access to a large audience of consumers who are actively seeking savings and who are willing to share demographic data that can be used to better target and personalize their shopping experiences;

. one-stop shopping for consumers with access to a wide range of both online and offline promotional offers from high-quality advertisers;

. an established and consistent brand that consumers find credible; and . the ability to track consumer demographics and shopping preferences on an individual and household level and to leverage that information across a large consumer base to make promotions increasingly targeted and cost- effective.

The CoolSavings Solution CoolSavings provides a comprehensive set of e-marketing services used by online and offline advertisers to build one-to-one customer relationships. Under our established brand, advertisers can deliver, target and track a wide array of incentives, including printed and electronic coupons, personalized e- mails, rebates, samples, sales notices, loyalty programs, gift certificates, contests and banner advertisements, to promote products or services in any online or offline environment. We deliver these incentives to targeted segments of our large audience of consumers, who have registered their demographic profiles with us and have given us permission to deliver personalized savings opportunities redeemable in stores or online. Although we keep our members' identities private, we store detailed member demographic information, track shopping preferences and behavior, and with advertiser cooperation can track redemption of these incentives back to the member households. In doing so, we have developed a valuable database of information that we use for the benefit of our advertisers. We analyze our database information with sophisticated data mining, targeting and tracking technology to help our advertisers execute effective promotional campaigns. The diversity of the incentives we offer and the variety of places where our members can redeem them further enrich our member profiles for future data mining and targeting.

Our web site, which is designed to be a leading destination for consumer savings, offers convenient and personalized incentives for goods and services from a broad range of advertisers, including online retailers, national brick- and-mortar chains, consumer packaged goods manufacturers, large consumer service providers and neighborhood businesses. Our member base grew from approximately 1.9 million registered members as of December 31, 1998 to over 5.0 million as of December 31, 1999, representing nearly 3.9 million households. In a recent national survey by NPD Research, an independent market research firm, 51% of online coupon users reported that they had used our site. Of those who have registered their households with us, 62% are women, the target consumers preferred by many of our advertisers. According to Media Metrix, for November 1999, CoolSavings was the eighth most popular shopping site for women and received 3.2 million unique visitors.

The benefits to advertisers of using CoolSavings include:

. Single source e-marketing solution. We offer advertisers a single source for a full range of promotions that can be redeemed online or in stores and targeted to any stage in the customer relationship. These tools include printable coupons and gift certificates for brick-and-mortar stores, electronic certificates for online purchases, mail-in rebates, lead generation for trial subscriptions and samples, notices of ongoing sales where no certificate is necessary, promotional contests and banner advertisements. Advertisers can also use combinations of incentives for customized promotions. In addition to reaching our member base, advertisers can also apply our services and expertise to their own databases using co-branded e-mails and pages on our web site.

. Access to a large audience of qualified, receptive shoppers. Advertisers are able to access our large audience of consumers, who visit our web site looking for shopping values and are willing to provide key demographic data about themselves and others in their households. Of those who have registered their households with us, 62% are women, the target consumers for many of our advertisers. Approximately 79% of our registered households have requested e-mail bulletins about offers available on our web site. We sent approximately 22.0 million e-mails to our members in December 1999.

. Cost-effective performance. We believe we provide advertisers with a cost-effective solution for customer acquisition and retention. Unlike most other direct marketing providers, we can immediately learn from each campaign, regardless of the promotions used, to make future campaigns more effective, to re-target responding members with more focused offers and to convert new customers into loyal customers. Our tracking capabilities allow our advertisers to target information about ongoing sales promotions and events to the appropriate customers at the appropriate times. For example, an advertiser can retarget our members who have previously responded to its offers with follow-on promotions.

. Insight into shopping behavior. Most advertisers have only limited means of tracking their customers' preferences and behavior. We acquire information from the initial member registration, as well as from each time a member uses our web site or e-mail to respond to offers. As a result, we have much richer data to analyze for insight into the interests and preferences of an advertiser's customers. Advertisers can leverage our consolidated database to find predictive correlations that can lead to more effective targeting regardless of the types of promotions used. This information can be used by our advertisers to acquire new customers with appropriate incentives, refine follow-on promotions and identify co-promotion opportunities.

. Ability to coordinate online and offline promotions. For advertisers that have both an online and offline presence, we can identify prospective customers and then track their activities whether shopping in stores or online. We enable these businesses to provide incentives redeemable in their offline stores. For advertisers with only an online presence, we enable them to provide offline incentives redeemable in the stores of promotional partners. We also help offline companies without a web presence identify and reward customers with online incentives that their customers can bring into a store or use on another web site.

. Lower total cost of ownership and improved time to market. Our investments in infrastructure, technology and technical personnel allow our advertisers to deploy their promotional campaigns without the need to lease, buy or continually upgrade the required hardware and software systems, providing significant cost savings over an in-house solution. In addition, by leveraging both our infrastructure and our e-marketing processes and expertise, we enable our advertisers to deploy their e-marketing campaigns rapidly and reliably. As a result, our advertisers can remain focused on their core businesses while still providing compelling offers to consumers.

Strategy

Our objective is to be the leading provider of comprehensive e-marketing services for advertisers. Key elements of our strategy to achieve this objective are to:

. Extend brand awareness and expand member and advertiser base. We believe strong brand recognition is a powerful tool to attract new advertisers and members. We plan to increase brand recognition with offline advertising campaigns that include television, print and outdoor media. We also intend to continue to promote our brand online, with advertising campaigns on high-traffic web sites and cooperative campaigns with advertisers and affiliate networks. We believe our marketing efforts will expand our member base while preserving its desirable demographic characteristics, which will strengthen the services we provide to advertisers. As we expand our membership, we expect that our service will be attractive to additional advertisers, which will in turn make our site more attractive to additional consumers by providing a broader array of available incentives.

. Enhance member profiles. As we make available additional promotional offers and services on our web site and through e-mail, we believe the shopping activities of our members will increase. As our members use our site and respond to advertiser promotions, we continually enrich our database and develop deeper data for predictive modeling and targeting purposes. We plan to continue upgrading our tracking and data mining tools to provide additional insight into member interests and shopping preferences.

. Broaden promotional service offerings. In order to provide a complete e- marketing solution for advertisers, we plan to expand the promotional services we offer, covering all phases of the customer relationship. For example, we intend to provide loyalty programs, for single advertisers and affinity groups, that incorporate popular promotions such as mileage incentives and rewards points. For offline promotions, we plan to connect coupon discounts and points to credit cards and frequent shopper cards.

. Provide business-to-business promotions. We believe that advertisers seek a cost-effective and targeted medium to reach small businesses and independent professionals. Through minor modifications to our registration page and database template, we intend to develop a business-to-business service offering in which small businesses can register with us to receive incentives appropriate for their needs and interests. We plan to offer our advertisers the ability to deliver targeted business-to-business product and service promotions using database information such as type of business, size, geography and past purchasing behavior.

. Leverage third-party relationships. We intend to pursue strategic relationships to further build our brand, expand our reach to consumers and advertisers and improve our services. Our current relationships include Super Coups, a subsidiary of ADVO, which uses its franchise sales force to sell CoolSavings services to neighborhood merchants, and First USA Bank, which issues co-branded CoolSavings credit cards and provides us with cardholder demographic and purchasing data.

. Pursue international expansion. As Internet use becomes more prevalent in other nations, we see market opportunities to extend our services to advertisers and consumers in those countries. Our international expansion efforts will focus initially on Canada, Australia and the United Kingdom. These international initiatives could take the form of licensing agreements, joint ventures or other

arrangements. As a result of international expansion, we plan to expand our database to include consumers in other countries, which we expect will be attractive to international advertisers and online advertisers seeking to reach an international audience.

Services

We provide a comprehensive e-marketing solution to our advertisers. We deliver a broad array of incentives through placement on our web site or by targeted e-mail, to enable our advertisers to motivate consumers to purchase products and services. Our advertisers also use our incentive programs to build the loyalty of their existing customers. Using our tracking, targeting and data mining capabilities, advertisers can coordinate and enhance their online and offline promotional campaigns for customer acquisition, retention and loyalty.

Delivery of Incentives We deliver a variety of promotional incentives to targeted segments of our membership on behalf of our advertisers. Our advertisers generally pay for our services based on a cost-per-thousand offers delivered. Although the cost rises with the amount of targeting and customization we provide, these efforts generally result in higher response rates for the advertisers. In addition, some advertisers make payments tied directly to the performance of their CoolSavings offers.

The coolsavings.com web site, which is branded as a leading destination site for consumer savings, offers convenient and personalized incentives for a broad array of products and services. To use our service, consumers register with us, provide demographic data about their households and shopping interests and choose whether to receive our direct e-mails. As members, consumers can obtain relevant incentives redeemable online or in stores from a broad range of advertisers, including online retailers, national brick-and-mortar chains, consumer packaged goods manufacturers, large consumer service providers and neighborhood businesses. We track our members' page views of and responses to promotions, and in some cases redemption of incentives, in our member database at an individual and household level.

The promotional services that we provide our advertisers include:

. CoolOffers. Online and offline businesses can deliver incentive offers, including printed and electronic coupons, rebates, sales notices and gift certificates, to targeted segments of our membership via our web site and our targeted e-mail. Targeting is performed by demographic profile and shopping preferences. CoolSavings members are presented a version of our web site tailored to their personal interests, where they can "save, then shop." Specialized sections of our web site are dedicated to specific categories such as grocery items, regional mall stores and neighborhood businesses. Our members can also use a search feature to find offers by product or service category.

. CustomerDirect e-mail. Because 79% of our registered households as of December 31, 1999 had elected to receive periodic e-mails notifying them of offers that may be of personal interest, we offer advertisers the ability to target e-mail to these members based on their demographic profiles and shopping preferences. E-mails can be delivered either with a single promotion by a specific advertiser

or in shared messages, and appear either in full-graphic HTML format or as plain text with web links, depending on members' preferences and the capabilities of their computers. The e-mails are targeted either through pre-selected criteria or using customized models we develop for particular campaigns.

. FreeStuff. We provide advertisers a method of generating leads by providing free samples of their products or services to our members. These offers, such as trial magazine subscriptions, free product samples and free Internet services, appear in the "FreeStuff" section of our web site and are targeted by demographic profile and shopping preferences. To receive free samples, members voluntarily provide the advertiser with contact information such as name, e-mail and mailing address, as well as other data about their households. Advertisers may also request secure credit card information from members as necessary. We can tailor the submission form to advertisers to ask additional questions of participating members, to further qualify the leads we generate.

. CoolGames. We provide advertisers with a highly targeted method for generating brand awareness combined with games that are also engaging for our members. We help advertisers create trivia contests and branded sweepstakes specific to their marketing strategies and tailored for their targeted profiles. We can also deliver targeted e-mails announcing a contest to generate immediate traffic and consumer response. At the conclusion of a member's interaction with a contest page, the advertiser's brand is reinforced by an automatic e-mail.

. CoolBanners. We provide advertisers the opportunity to promote their brands or offers throughout the web site with banner advertisements, buttons, text links and prominently sponsored content areas. These can be targeted based on the demographics and preferences of the viewing members.

Customer Retention

We offer turnkey customer acquisition and reward programs that can be customized for any product or service. We deliver initial sign-up incentives, such as gift certificates, tailored to the target consumers, and then administer ongoing benefits such as loyalty coupons. We also provide co-branded programs that function together with advertisers' own established promotional vehicles, such as their web sites, printed circulars, in-package flyers and in- store signs. These vehicles direct consumers to a special CoolSavings web address. Consumers entering our web site for the first time through a co- branded address will experience our entire site as co-branded each time they return. These members can also receive customer-only offers targeted specifically to the customers of the co-branding partner, either on the co- branded web site or in promotional e-mails. Our co-branding advertisers can use our infrastructure to build loyalty with their own customers. We benefit by adding those advertisers' customers to our database as CoolSavings members.

Data Mining and Research Services By analyzing individual, demographic and correlative information in our database, we provide advertisers several methods to gain insight into customer preferences and profiles. We can also apply our data mining infrastructure to analyze the separate databases of our advertisers. We use sophisticated data mining tools to analyze member data to find associations that are not readily apparent. We use data-mining information to create predictive models to make future targeting even more effective. Using e-mail, we can also contact and survey members who have

responded to a specific offer. In addition, we are working with NFO Research, a leading provider of consumer research to manufacturers of consumer packaged goods, to create member panels that will provide major brands with quick feedback on new products and services.

Sales and Marketing

We have built a sales organization dedicated to developing and maintaining close relationships with advertisers and advertising agencies. Our sales force, which included 22 full-time employees as of December 31, 1999, is organized regionally and by specific industry and advertiser segments. We plan to open sales offices in New York and San Francisco during 2000. To support our sales efforts, we advertise regularly in trade publications, send regular mailings to key marketing executives and exhibit at major trade shows. We intend to form strategic alliances with companies with existing local sales forces in order to further penetrate local advertising markets. The first of these relationships is our alliance with Super Coups, in which Super Coups salespersons are selling our co-branded services to local advertisers.

Our marketing department, which includes nine people, is dedicated to promoting the CoolSavings brand, developing our member content and acquiring members for our service. To attract members, we rely on a variety of advertising methods, including a national offline branding campaign that makes use of television, print, outdoor media and radio, as well as online advertising that includes online banner advertisements on high-traffic web sites such as portals and search engines. Our advertising features our identifiable piggy-bank logo character as our "CEO." We also have developed network affiliate programs, in which partners send consumers to the CoolSavings web site and receive a fee per each resulting member registration. Many of our advertisers provide links from their own web sites that click through to offers on CoolSavings.

We also have leveraged our advertising relationships and strategic partnerships to gain additional exposure for the CoolSavings name and piggy- bank character in retail chains and shopping malls and as a link on our strategic partners' own web sites. In some of these programs, we have the opportunity to feature CoolSavings on store signs and materials, such as bags and receipts. If these materials succeed in sending customers to a dedicated portion of the CoolSavings web site, those customers will thereafter see our web site co-branded with the logo of the retailer or partner that sent them.

Representative Advertisers The following is a representative list of advertisers from which we derived revenue during 1999, by general industry category:

Specialty and Mass Retail	Health and Grocery	Entertainment and Media
Art.com	Allherb.com	Barnesandnoble.com
Birthday Express	eNutrition.com	Bigstar
Bolt	Healthshop.com	CDNow
Cooking.com	More.com	Chuck E. Cheese's
Furniture.com	MotherNature.com	Doubleday Interactive
Hewlett Packard	NetGrocer	EveryCD
Internet Shopping Network	YourPharmacy.com	The Parenting Group
		Reel.com
	Manufacturers	Uproar.com

JC Penney	Coty	US News & World Report
Kmart	DaimlerChrysler AG	
Marshall's/TJ Maxx	Johnson & Johnson	Childrens' Products
overstock.com	Kodak	BabyCenter.com
Paper Studio	Mattel	eToys
PayLess Shoes		
		KBKids.com
PC Flowers & Gifts	Financial and	Kids "R" Us
petopia.com	Communications	SmarterKids.com
petsmart.com	E-homeCredit Corp.	Toys "R" Us
Petstore.com	First USA	
Radio Shack	H&R Block	Internet Content and
REI.com	InsWeb	Services
Rhodes	MCI WorldCom	Cybergold
Sara Lee / One Hanes	Telebank	eGreetings.com
Place		
		eNews
Service Merchandise	Travel Services	FamilyWonder
Shop the globe.com	Cruise Lines	iprint
Silkies.com	International	LifeMinders
	Holiday Inn	Netcentives
Local Advertising	Northwest Airlines	Vstore
Super Coups	priceline.com	

Strategic Alliances

We have developed the following strategic relationships with companies that we believe will assist us in providing more comprehensive services, building our brand and attracting more advertisers and members:

. First USA. In April 1999, we entered into an agreement with First USA Bank, N.A., a leading national credit card issuer, to create a co-branded CoolSavings credit card that is promoted extensively on our web site. Under this agreement, First USA promotes CoolSavings and the co-branded credit card on its own web site, in account statements and in other promotional pieces. The initial term of the agreement with First USA is five years, but First USA may terminate the agreement prior to its expiration under some circumstances, including a substantial reduction in our membership or a failure to meet promotional goals.

. NBC. In May 1999, we entered into an agreement with National Broadcasting Company, Inc., under which NBC is broadcasting $3.0 million of 30-second advertisements for CoolSavings during the 12-month period that began October 1, 1999. In exchange for this advertising, NBC received shares of our common stock.

. NFO Research. In November 1999, we entered into an agreement with NFO Research, a leading provider of custom research for the consumer packaged goods industry. Under this agreement, we will help NFO recruit panelists for their market research efforts. CoolSavings and NFO will provide integrated marketing services to their advertisers, offering an innovative opportunity to link shopper-level consumer attitude and usage data with CoolSavings' extensive member profiles. The term of the agreement with NFO Research is one year, but NFO may terminate the agreement if our web site ceases to operate for a period of five consecutive days.

. Super Coups. In March 1999, we formed a strategic alliance with Super Coups, a subsidiary of ADVO, a leading targeted direct mail company. Super Coups delivers targeted local merchant coupons, such as automobile service centers, restaurants and dry cleaners, by direct mail, local cable television and the Internet. Through this alliance, we operate a co-branded version of the CoolSavings web site that contains a total of more than 3,000 incentive offers, submitted by Super Coups franchisees. Based on member demographics, distinct local offers are targeted to our members in Super Coups markets across the United States. Super Coups salespersons are also selling our co-branded services to local advertisers.

Operations and Technology We have developed a proprietary system to target and personalize promotional offers from our advertisers to our members. There are five main components of our system:

. our web server technology, which allows us to display offers of interest for each member;

. our database, which processes the offers and stores the information about our members and their activity on our site;

. our data mining and targeting modules, which we use to determine the members to whom we will deliver offers and the most appropriate offers for each member;

. CoolSavings Coupon Manager, our free software program that produces high- quality coupons and rebate certificates on a member's personal computer printer for in-store or mail-in use; and . SavingsCenter software, which we and our advertisers use to create, target and control new offers.

Our system has been designed around industry-standard architecture and is designed to provide availability 24 hours-a-day, seven days-a-week. Occasionally in the past, we have disconnected our servers to make upgrades or maintenance checks on our system, leading to "down time" averaging approximately two hours per month. Currently, our site architecture, including multiple servers and co-hosting capabilities, usually allows us to introduce upgrades and perform maintenance without taking our site offline. For our database, we use servers running Microsoft Windows NT and Microsoft SQL Server database server software. Our web service is balanced among several servers running Microsoft Internet Information Server on the Windows NT operating system. These servers provide VeriSign Inc. digital certificates for secure transactions involving personal data, as well as VeriSign Authenticode certificates for downloading our Coupon Manager software to our members' computers. Our electronic certificates, such as printable coupons, are transmitted in a format that requires our proprietary Coupon Manager software to print a coupon. Information that members provide during registration is protected by a password they can create themselves. Members can also select Secure Socket Layer protection during the registration process.

Our web servers and the database behind our system are currently located at our Chicago headquarters. In addition, our data mining servers as well as a fully redundant version of our entire system are located at the Exodus Communications data center in Oak Brook, Illinois. To date, we have directed all site traffic to our Chicago system, but we believe our system at Exodus is fully operational and we plan to direct a portion of site traffic to the Exodus system during the first quarter of 2000, in order to balance

the traffic load on each system and to reduce the risk of system failure. Although we do not have a formal disaster recovery plan in place, we are currently working with a third-party consultant to develop a disaster recovery plan and we anticipate having a formal plan in place in the first quarter of 2000. Please see "Risk Factors--Our facilities and systems are vulnerable to natural disasters and other unexpected problems."

In 1997, 1998 and for the nine months ended September 30, 1999, we spent $720,000, $1.2 million and $3.2 million, respectively, on product development. We expect to devote significant resources to product development in the future as we add new features and functionality to our service. Please see "Risk Factors--We may not be able to keep up with rapid technological development and evolving industry standards."

Intellectual Property We currently hold one United States patent, No. 5,761,648, entitled "Interactive Marketing Network and Process Using Electronic Certificates."

We are currently pursuing legal action against six companies that we believe to be infringing our patent. This litigation is expensive, and the outcome of this litigation may not be favorable to us. In addition, these companies could file counterclaims or separate lawsuits or other proceedings against us, possibly seeking to prevent us from using our patented system. We have also settled three prior lawsuits we brought against companies that we believed were infringing our patent.

Currently, we are a defendant in two pending lawsuits involving an allegation that our systems or methods infringe on competitors' patents. While we believe the actions are without merit and intend to defend them vigorously, our efforts may not be successful. We expect that, like other participants in our market, we will increasingly be subject to infringement claims as the number of services and competitors in our industry segment grows. Any infringement claim, regardless of its merit, could be time-consuming, result in costly litigation, cause service modifications or delays or require us to enter into royalty or licensing agreements. These agreements might not be available on terms that are acceptable to us or at all. As a result, any claim of infringement could harm our business, results of operations and financial condition.

In addition to our patent, we have registered service marks and copyrights in the United States and other countries. Our U.S. registered service marks include COOLSAVINGS, COOLTRAVEL, COOLMALLS, COOLCATALOGS and COOLSAMPLES. We also own common law rights in several other marks, and have applied for United States service mark registration for a number of marks such as our stylized piggy-bank logo, SAVE. THEN SHOP., SQUEALS OF THE DAY, COOLSAVINGS COUPON MANAGER and SAVINGSCENTER. We have also obtained a trademark registration in Australia for COOLSAVINGS and have registration applications pending in the United Kingdom and Canada.

We regard the protection of our intellectual property, including our patent, copyrights, service marks, trademarks, trade dress and trade secrets, as critical to our future success. We rely on a combination of these intellectual property rights and contracts to protect the services we have created and our competitive position in the marketplace. We have generally entered into confidentiality and invention assignment agreements with our employees and contractors. Where we have considered it necessary,

we have required nondisclosure agreements with our suppliers and strategic partners in order to protect confidential information about our business plans and technology. Despite these precautions, these arrangements or the other steps which we have taken may not protect our trade secrets or prevent another company from copying important parts of our service. While we have registered our trademarks and service marks in the U.S. and other countries, protection of these marks may not be available in every country where we may do business in the future.

We also rely on software programs that we license from other companies for key database technology, operating system and software, and specific hardware components for the computers in our system. These licenses may not continue to be available to us on commercially reasonable terms in the future. As a result, we may be required to obtain substitute technology of lower quality or at greater cost, and may incur significant costs in converting to new technologies, which would materially affect our business, results of operations and financial condition. Please see "Risk Factors--Intellectual property litigation against us can be costly and could result in the loss of significant rights," "Risk Factors--Protecting our patents, trademarks and proprietary rights may be costly and may distract our management" and "Business--Legal Proceedings."

Competition

The market for e-marketing services is new, rapidly evolving and intensely competitive, and we expect competition to intensify. Barriers to entry for companies in our market are low, and current and potential competitors can launch new web sites and services at a relatively low cost.

Our ability to compete depends on many factors, both within and beyond our control. These factors include:

. advertiser identification and retention;

. brand recognition and credibility;

. pricing of our services;

. breadth of our service offerings for advertisers and consumers;

. reliability of service and quality of advertiser support;

. advertiser and member acquisition costs;

. membership size and demographics;

. frequency of use and consumer response rates; and . technological expertise.

We believe we are well-positioned to compete in our market as a result of the breadth and sophistication of our services, the size and demographics of our member audience, our experienced management and staff, our proprietary technology and our established brand recognition.

Currently, we compete directly with online marketing companies in several fields:

. direct marketers, such as FreeShop, LifeMinders and YesMail;

. incentive services, such as Cybergold, MyPoints and Netcentives;

. coupon providers, such as the online division of Catalina Marketing, e- centives and planet U; and . sweepstakes providers, such as Webstakes.

We also face indirect competition from leading distributors of traditional coupons by mail or newspaper inserts and from companies offering frequent flyer points or other affinity rewards tied to responses to advertisements. We expect that some of the leading distributors of traditional newspaper-insert coupons will soon begin to compete against us directly by delivering their promotions over the Internet. For example, Valassis Communications, a leading distributor of newspaper-insert coupons, recently began to offer some online services. We also compete with other web sites, portals and advertising networks, as well as traditional offline media such as television, radio and print, for a share of advertisers' total advertising budgets and for consumers' attention.

Many of our current and potential competitors have longer operating histories, greater brand recognition, larger customer or user bases, and significantly greater financial, marketing, technical and other resources than we do. In addition, our competitors may be acquired by, receive investments from or enter into other commercial relationships with larger, well-established and well-financed companies as use of the Internet and other online services increases. Therefore, some of our competitors may be able to devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies and devote substantially more resources to web site and systems development. They may also try to attract advertisers by offering free services. Increased competition may cause us to lose brand recognition and market share and could otherwise harm our business.

Employees

As of December 31, 1999, we had 121 full-time employees, 43 of whom were engaged in technology and product development, 31 in sales and marketing, 25 in client and member services and 22 in finance, administration and operations. We have never had a work stoppage and our employees are not covered by any collective bargaining agreement. We consider our relations with our employees to be good.

Facilities

Our executive and operating offices are currently located in Chicago, Illinois, in a 13,700 square foot facility under two separate leases, one expiring on March 16, 2002 and the other expiring on July 31, 2002. In addition, we lease approximately 10,000 square feet of additional office space in the same building as our other offices on a month-to-month basis. In January 2000, we entered into a lease for an approximately 44,000 square foot facility in which we plan to consolidate our Chicago executive and operating offices in mid-2000. This lease expires in 2010 although we have options to expand the leased space and to extend the term of this lease.

Legal Proceedings

On August 10, 1998, we instituted a lawsuit in the Northern District of Illinois against e-centives, Inc. (f/k/a emaginet, Inc.) for infringement of our United States Patent No. 5,761,648, entitled "Interactive Marketing Network and Process Using Electronic Certificates," seeking damages and a permanent injunction against e-centives for further infringement. We have also added Ziff-Davis, Inc. as a defendant in our suit against e-centives, Inc. e-centives has filed counterclaims alleging invalidity of our patent and interference with their prospective economic advantage and is seeking damages and injunctive relief. As noted below, e-centives also recently initiated a separate lawsuit against us alleging infringement of a patent that has been assigned to it.

On April 27, 1999, e-centives, Inc. filed a lawsuit against us in the United States District Court for the District of Maryland. The complaint alleges that our systems or methods infringe on e-centives' United States Patent No. 5,710,886, and seeks to enjoin us from further infringing its patent. While the litigation is in the early stage and its outcome cannot be predicted, we believe that our technology does not infringe e-centives' patent and that this litigation is therefore without merit. We intend to defend the action vigorously.

On October 21, 1998, we instituted a lawsuit in the Northern District of Illinois against Catalina Marketing International, Inc., and its affiliate Supermarkets Online, Inc. for infringement of our United States Patent No. 5,761,648, seeking damages and a permanent injunction against further infringement. The defendants have filed counterclaims alleging invalidity of our patent and are seeking damages and injunctive relief. As noted below, Catalina Marketing also recently initiated a separate lawsuit against us alleging infringement of a patent assigned to it.

On November 15, 1999, Catalina Marketing filed a separate lawsuit against us in the United States District Court for the Middle District of Florida. The complaint alleges that our systems and methods infringe Catalina Marketing's United States Patent No. 4,674,041, and seeks to enjoin us from further infringing its patent. While the litigation against us is in the early stage and its outcome cannot be predicted, we believe that our technology does not infringe Catalina's patent and that the litigation is therefore without merit. We intend to defend the action vigorously.

We have instituted four other patent infringement lawsuits currently pending in the United States District Court for the Northern District of Illinois against IQ.commerce Corporation (filed on December 3, 1998), H.O.T. Coupons, Inc. (filed on November 18, 1998), planet U, Inc. and Brodbeck Enterprises, Inc., d/b/a Dick's Supermarkets (filed on October 21, 1998) and Bright Street.com, Inc. (filed on August 23, 1999). We are seeking damages and permanent injunctive relief for each case. All of the defendants are claiming that they are not infringing on our patent and some of the defendants are claiming that our patent is invalid and unenforceable. Furthermore, planet U and Brodbeck are each claiming that we have violated United States antitrust laws by taking anti-competitive actions.

These lawsuits are at an early stage and may not be resolved favorably to us. For example, we may not prevail and prevent others from using our proprietary rights. We may be required to pay costs and legal fees in connection with these cases or other damages arising from the various counterclaims that have

been asserted against us. Our patent or future patents may be found invalid or unenforceable. Furthermore, additional counterclaims, separate lawsuits or other proceedings may be brought against us to invalidate our patent or force us to change our services or business methods.

In addition, on September 21, 1999, Kathryn L. Meklir, the ex-wife of Steven M. Golden, our Chairman, Chief Executive Officer and President, filed suit against both Mr. Golden and CoolSavings in Oakland County, Michigan, alleging several claims, including fraud, arising out of her March 1998 sale of 2,000 shares of our common stock to Mr. Golden, and seeking damages in excess of $6.5 million. The case was subsequently removed to, and is pending in, the United States District Court for the Eastern District of Michigan. Although the transaction was a private sale between the parties, the plaintiff has named us as a defendant in the lawsuit. While the outcome of any litigation is uncertain, we believe that this suit and the claims asserted against us have no merit, and we intend to defend it vigorously. A negative outcome in this suit could subject us to substantial damages and negative publicity. Our defense of this litigation may be costly and time-consuming even if we are successful.

We may be involved in additional litigation, investigations or other proceedings in the future. Any litigation, investigation or proceeding, with or without merit, could be costly and time-consuming and could divert our management's attention and resources, which in turn could harm our business and financial results.

Management

Executive Officers and Directors The executive officers and directors of CoolSavings, and their ages and positions as of January 1, 2000, are as follows:

Name Age Position

Steven M. Golden..... 46 Chairman of the Board, Chief Executive Officer and President David H. Jacobson..... 39 Executive Vice President, Finance, Chief Financial Officer, Treasurer and Secretary John J. Adams..... 28 Executive Vice President, Operations and Technology Matthew Moog..... 29 Executive Vice President, Sales and Marketing Jonathan J. Smith..... 33 Executive Vice President, Strategic Business Development Albert Aiello..... 57 Director Robert J. Kamerschen..... 63 Director Hugh R. Lamle(1)(2)(3)..... 54 Director Lynette H. Mayne(1)(2)(3).. 48 Director Richard H. Rogel(1)(2)(3).. 50 Director David E. Simon..... 38 Director (1) Member of the Audit Committee. (2) Member of the Compensation Committee. (3) Member of the Nominating Committee.

Steven M. Golden founded CoolSavings in December 1994. He has served as a director, our Chairman of the Board and Chief Executive Officer since June 1996. Mr. Golden also assumed the title of President in January 2000. Prior to founding CoolSavings, Mr. Golden was a financial consultant with Smith Barney from May 1993 to May 1996. From January 1989 to April 1993, Mr. Golden served as President of Land Data Network, which was founded by Mr. Golden and was one of the nation's first online property information systems, providing tax roll and assessment information for various counties in the State of Michigan. Mr. Golden holds a B.B.A. from Michigan State University.

David H. Jacobson has served as our Chief Financial Officer and Treasurer since October 1998, as our Secretary since May 1999 and as our Executive Vice President, Finance since October 1999. From January 1996 to October 1998, Mr. Jacobson was the Chief Financial Officer and Treasurer of SMS Technology, Inc., a value added packager and distributor of specialty chemical products. From August 1990 to January 1996, Mr. Jacobson served as Chief Financial Officer for Sterling Capital Ltd., a private equity group. Mr. Jacobson also worked for six years for Coopers & Lybrand in its audit and business assurance practice. Mr. Jacobson is a Certified Public Accountant and holds a B.S. with high honors in Business Administration and Accounting from Indiana University.

John J. Adams has served as our Executive Vice President, Operations and Technology since October 1999. From January 1999 to October 1999, Mr. Adams served as our Executive Vice President, Engineering and Chief Technology Officer. Prior to joining CoolSavings, Mr. Adams worked in several capacities for Arthur Andersen Business Consulting from July 1993 to January 1999, including Manager--Architecture and Methodology, Manager of Client Server and Internet Development and Senior Systems Consultant. Mr. Adams holds a B.S. from Florida State University.

Matthew Moog has served as our Executive Vice President, Sales and Marketing since August 1998. From October 1996 to July 1998, Mr. Moog served as our Vice President, Sales. Prior to joining CoolSavings, Mr. Moog worked for Microsoft Corporation in various capacities from June 1992 to September 1996, including Strategic Integrator Account Executive, MSN Business Development Executive and Internet Business Development Manager. Mr. Moog holds a B.A. from The George Washington University.

Jonathan J. Smith has served as our Executive Vice President, Strategic Business Development since October 1999 and, from June 1998 to October 1999, Mr. Smith served as our Vice President, Strategic Business Development. Prior to joining CoolSavings, Mr. Smith worked in several capacities for Lend Lease Corporation, which is an Australian-based global financial and property services company. From July 1989 to June 1997, Mr. Smith was principally involved in the acquisition, disposition, financing and asset management of institutional grade commercial properties for ERE Yarmouth, a U.S. based subsidiary of Lend Lease Corporation. Mr. Smith served as Vice President of ERE Yarmouth from April 1994 to June 1997 and as Asset Manager for the IT+T Investments division of Lend Lease Corporation from July 1997 to June 1998. Mr. Smith holds a B.A. from Northwestern University.

Albert Aiello has served as a director of CoolSavings since June 1998. Since January 1997, Mr. Aiello has served as Chief Information Officer and Executive Director of Lend Lease Corporation, an Australian based global financial and property services company. Mr. Aiello also currently serves as a director of Lend Lease Corporation. From 1990 to January 1998, Mr. Aiello served as President of Fidelity Systems Company, the technology division of Fidelity Investments and also as Chief Information Officer and Managing Director of Fidelity Investments. Mr. Aiello currently serves as a director of Advantra, an Australian telecommunications supplier, and the Software Productivity Corporation, a consortium of major United States defense contractors. He is also a member of the U.S.

Government Accounting Office Executive Committee with oversight for information technology expenditures. Mr. Aiello holds a B.S.E. from Polytechnic Institute of New York, an M.S., M.I.E. and Ph.D. from New York University.

Robert J. Kamerschen has served as a director of CoolSavings since May 1999. Since July 1999, Mr. Kamerschen has served as Chairman and Chief Executive Officer of DIMAC Holdings, Inc., a direct-response marketing services firm. From November 1988 to July 1999, he served as Chairman of ADVO, Inc., a leading direct-mail marketing company. From November 1988 to January 1999, he also served as Chief Executive Officer of ADVO, Inc. From 1987 to 1988, Mr. Kamerschen served as President and Chief Executive Officer of RKO/Six Flags Entertainment, Inc. From 1984 to 1987, Mr. Kamerschen served as President and Chief Executive Officer of Marketing Corporation of America, a leading marketing services corporation. Mr. Kamerschen also serves as a director of IMS Health Incorporated, R.H. Donnelley Corporation, Micrografx, Inc, Tandy Corporation and TravelCLICK, Inc. Mr. Kamerschen holds a B.S. and an M.B.A. from Miami University.

Hugh R. Lamle has served as a director of CoolSavings since June 1998. Since April 1974, Mr. Lamle has served as Executive Vice President and a principal of M.D. Sass Investors Services Inc. a registered investment advisory firm. Since June 1995, Mr. Lamle has also served as President and Chief Investment Officer of Chase & M.D. Sass Partners, a joint venture between Chase Manhattan Bank and M.D. Sass Investors Services which manages portfolios for corporate and institutional investors. Mr. Lamle also serves as President of Resurgence Asset Management and on the advisory board of Real Estate Capital Partners, both affiliates of M.D. Sass, as Executive Vice President and a director of Corporate Renaissance Group, Inc., a closed-end business development company, and as a public director of the Finex division of the New York Cotton Exchange. Mr. Lamle holds a B.A. from Queens College and an M.B.A. from Baruch College at the City University of New York.

Lynette H. Mayne has served as a director of CoolSavings since June 1998. Since October 1991, Ms. Mayne has served in different executive officer positions for Lend Lease Corporation, an Australian-based global financial and property services company, including serving at various times as the Chief Executive Officer of Lend Lease IT+T Investments and of Lend Lease Corporation's Corporate Financial Services and Corporate Services divisions. She has served as Chair of an Australian state health industry council and is a member of the Australian Government Trade Policy Advisory Council and APEC and a Trustee of the ACTU--Lend Lease Foundation. Ms. Mayne holds an M.B.A. from New York University.

Richard H. Rogel has served as a director of CoolSavings since May 1996. In 1982, Mr. Rogel founded Preferred Provider Organization of Michigan, Inc., a preferred provider organization, and served as its Chairman from its inception until it was sold in 1997. Mr. Rogel is the President of the University of Michigan Alumni Association and chairs the University of Michigan's Business School Development Advisory Board, as well as serving on other boards of the University. Mr. Rogel holds a B.B.A. from the University of Michigan.

David E. Simon has served as a director of CoolSavings since November 1999. Since 1998, Mr. Simon has been the Chief Executive Officer of Simon Property Group, Inc., a publicly traded real estate company engaged primarily in the ownership, development, management, leasing, acquisition and expansion of income-producing retail properties. From 1995 until 1998, Mr. Simon was the Chief Executive Officer of Simon DeBartolo Group, Inc., a predecessor-in- interest to Simon Property Group, Inc. In addition to serving as a director of Simon Property Group, Inc., Mr. Simon also serves as a director of First Health Group Corporation, a publicly-traded full service national health benefits company. He currently serves as Second Vice Chairman of the National Association of Real Estate Investment Trusts, Inc. and is trustee of the International Council of Shopping Centers. Mr. Simon holds a B.S. from Indiana University and an M.B.A. from Columbia University Graduate School of Business.

Board of Directors

Our board of directors currently consists of seven members. Each director is elected for a one-year term at our annual meeting of stockholders and serves until the next annual meeting of stockholders or until his or her successor is duly elected and qualified. Richard H. Rogel and Steven M. Golden have agreed to vote the shares of common stock held by their revocable trusts or over which they exercise voting control in favor of election of Albert Aiello, an affiliate of Lend Lease International Pty. Limited (Lend Lease), to our board of directors at the annual meetings of stockholders to be held in 2000 and 2001. This is conditional upon Lend Lease properly nominating its candidate and continuing to own at least 10% of our common stock at that time. Lend Lease may nominate a different person as director instead of Mr. Aiello, only upon the written consent of Mr. Rogel and Mr. Golden, which they may not unreasonably withhold.

Board Committees

Our board of directors has a compensation committee, an audit committee and a nominating committee.

. Compensation Committee. The compensation committee makes recommendations to the board of directors concerning salaries and incentive compensation for our officers and employees and administers our 1997 Omnibus Plan. The current members of our compensation committee are Hugh R. Lamle, Lynette H. Mayne and Richard H. Rogel.

. Audit Committee. The audit committee, among other things, reviews our financial statements and accounting practices, makes recommendations to the board of directors regarding the selection of independent auditors and reviews the results and scope of the audit and other services provided by our independent auditors. The current members of our audit committee are Hugh R. Lamle, Lynette H. Mayne and Richard H. Rogel.

. Nominating Committee. The nominating committee screens and nominates candidates for election to our board of directors. The current members of our nominating committee are Hugh R. Lamle, Lynette H. Mayne and Richard H. Rogel.

Director Compensation Directors who are also employees of CoolSavings receive no compensation for serving on the board of directors. Directors who are not employees of CoolSavings do not currently receive any cash compensation from us for their service as members of the board of directors, although they are reimbursed for all travel and other expenses incurred in connection with attending board and committee meetings. Under our 1999 Director Stock Option Plan, non-employee directors are also eligible to receive automatic stock option grants upon their initial appointment to the board of directors and at each of our annual stockholder meetings.

Under the 1999 Non-Employee Director Stock Option Plan, the following directors received options in 1999: Albert Aiello, Robert J. Kamerschen, Hugh R. Lamle, Lynette H. Mayne, Richard H. Rogel and David E. Simon. Each of these directors other than David E. Simon received an option in July 1999 to purchase 10 shares of common stock at an exercise price of $5,023.54 per share while David E. Simon received an option in November 1999 to purchase 5 shares of common stock at an exercise price of $9,100.63 per share.

Compensation Committee Interlocks and Insider Participation None of the members of our compensation committee is an officer or employee of CoolSavings. No executive officer of CoolSavings serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee. All of the members of the compensation committee have entered into loan transactions with us. Please see "Certain Transactions." Until the formation of the compensation committee in December 1997, matters concerning executive compensation were addressed by the entire board of directors.

Executive Compensation The following table sets forth compensation earned by or paid for services rendered to CoolSavings in 1999 by our Chief Executive Officer and each of our other executive officers whose total annual salary and bonus exceeded $100,000 (collectively, the "Named Executive Officers") during 1999.

Summary Compensation Table

	Annual Compensation		Long-Term Compensation
Name and Principal Position	Salary($)	Bonus($)	Shares Underlying Options(#)

Steven M. Golden, Chairman of the Board, Chief Executive Officer and President..... $245,000 $75,000 400 David H. Jacobson, Executive Vice President, Finance and Chief Financial Officer..... 138,000 20,000 250 John J. Adams, Executive Vice President, Operations and Technology..... 125,000 20,000 270 Matthew Moog, Executive Vice President, Sales and Marketing..... 137,000 130,000 225 Jonathan J. Smith, Executive Vice President, Strategic Business Development..... 119,000 30,000 250 Hillel Levin, Former President and Chief Operating Officer (1)..... 198,000 20,000 125 (1) Mr. Levin resigned as an officer effective December 31, 1999. However, he will continue to serve as a consultant to us through December 31, 2000.

Stock Options

The following table sets forth summary information concerning individual grants of stock options made during 1999 to each of the Named Executive Officers:

Option Grants in 1999

Name	Number of Shares Underlying Options Granted	% of Total Options Granted to Employees in 1999(1)	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2) 5% ($)	10% ($)
Steven M. Golden.....	200	9.8%	$2,500.00	3/3/09	$ 314,448	$ 796,872
	200	9.8	9,100.63	11/22/09	1,144,668	2,900,812
David H. Jacobson.....	150	7.3	2,500.00	3/3/09	235,836	597,654
	100	4.9	9,100.63	11/22/09	572,334	1,450,406
John J. Adams.....	20	1.0	2,500.00	1/18/09	31,445	79,687
	150	7.3	2,500.00	3/3/09	235,836	597,654
	100	4.9	9,100.63	11/22/09	572,334	1,450,406
Matthew Moog.....	125	6.1	2,500.00	3/3/09	196,530	498,045
	100	4.9	9,100.63	11/22/09	572,334	1,450,406
Jonathan J. Smith.....	150	7.3	2,500.00	3/3/09	235,836	597,654
	100	4.9	9,100.63	11/22/09	572,334	1,450,406

Hillel Levin..... 125 6.1 2,500.00 3/3/09 196,530 498,045 (1) Based on a total of 2,043 option shares granted to our employees under our 1997 Stock Option Plan during 1999. (2) Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on assumed rates of stock appreciation of 5% and 10% compounded annually from the date the respective options were granted to their expiration date. The gains shown are net of the option exercise price but do not include deductions for taxes or other expenses associated with the exercise of the options or the sale of the underlying shares of common stock. The 5% and 10% assumed rates of appreciation are mandated by rules of the Securities and Exchange Commission and do not represent our estimate or projection of the future price of our common stock. There can be no assurance that any of the values reflected in this table will be achieved. The actual gains, if any, will depend on the future performance of the common stock, the optionee's continued employment through applicable vesting periods and the date on which the options are exercised.

The following table sets forth the number of shares of common stock acquired upon the exercise of stock options by each Named Executive Officer during 1999 and the number and value of securities underlying unexercised options held by each Named Executive Officer as of December 31, 1999:

Aggregated Option Exercises in 1999 and Year-End Option Values

Name	Shares Acquired on Exercise	Value Received	Number of Securities Underlying Unexercised Options at December 31, 1999 Exercisable	Number of Securities Underlying Unexercised Options at December 31, 1999 Unexercisable	Value of Unexercised In-The-Money Options at December 31, 1999(1) Exercisable	Value of Unexercised In-The-Money Options at December 31, 1999(1) Unexercisable

Steven M. Golden..... -- -- 280.00 620.00 David H. Jacobson..... 8.00 $20,188 0.00 262.00 John J. Adams..... -- -- 8.00 262.00 Matthew Moog..... -- -- 294.38 238.00 Jonathan J. Smith..... -- -- 8.00 262.00 Hillel Levin..... -- -- 260.00 315.00 (1) The dollar values have been calculated by determining the difference between the fair market value of the securities underlying the options at December 31, 1999 and the exercise prices of the options. Solely for purposes of determining the value of options at December 31, 1999, we have assumed that the fair market value of shares of common stock issuable upon exercise of options was $ per share, the assumed initial public offering price, because the common stock was not traded in an established market prior to this offering.

Employee Benefit Plans 1997 Stock Option Plan We adopted our 1997 Stock Option Plan to enable officers, key employees and consultants of CoolSavings or any subsidiary to participate in our possible growth and profitability, and to encourage their continuation as officers, employees or consultants for the benefit of CoolSavings and our stockholders. Under our 1997 Stock Option Plan, we may award incentive and non-qualified stock options, stock appreciation rights, restricted stock, performance stock units and other stock units which are valued by reference to our common stock. Our officers, employees and consultants are eligible to participate in our 1997 Stock Option Plan. Our 1997 Stock Option Plan is administered by either the board of directors or the Compensation Committee (the "Administrator") which determines, subject to the provisions of our 1997 Stock Option Plan, who shall receive awards, the types of awards to be made, and the terms and conditions of each award.

The exercise price of non-qualified options may not be less than the fair market value of the common stock at the time the option is granted, except that non-qualified options may have an exercise price of no less than 90% of the fair market value at the time the option is granted if that discount is expressly granted in lieu of a reasonable amount of salary or bonus. Options that are intended to qualify as incentive stock options under our 1997 Stock Option Plan may not be exercisable for more than ten years after the date the option is granted and may not be granted at an exercise price of less than the fair market value of the common stock at the time the option is granted. In the case of incentive stock options granted to holders of more than 10% of our common stock, the options may not be granted at an exercise price less than 110% of the fair market value of the common stock at the time the options are granted.

Awards granted under our 1997 Stock Option Plan generally expire three months after the termination of the recipient's service to CoolSavings or any subsidiary, except in the case of death, in which case awards generally may be exercised up to 12 months following the date of death. Awards generally expire immediately upon termination of employment for cause.

The number of shares of common stock which may be issued under our 1997 Stock Option Plan is limited to 15% of the total number of shares of common stock issued and outstanding from time to time and the number of shares of common stock underlying incentive stock options issued under our 1997 Stock Option Plan is limited to 5,000 shares of common stock. As of December 31, 1999, there were 3,635.580 shares subject to options outstanding under our 1997 Stock Option Plan.

The Administrator shall make appropriate adjustments in the number of shares of common stock subject to each award and the exercise price per share of each award if there is any change in the common stock as a result of a stock dividend, stock split, recapitalization or otherwise. The Administrator also has the authority to accelerate award exercise rights or make other adjustments if CoolSavings is merged or consolidated, the property or stock of CoolSavings is acquired by another corporation or CoolSavings is reorganized, liquidated or impacted by an extraordinary transaction.

Our 1997 Stock Option Plan will terminate when no further shares of common stock are available for issuance upon the exercise of awards and all outstanding awards have expired or have been exercised. The board of directors may at any time terminate our 1997 Stock Option Plan, but termination will not affect awards previously granted. Any awards which were granted prior to termination would remain exercisable by the holder in accordance with the terms of the applicable award agreement. In addition, the board of directors may at any time amend our 1997 Stock Option Plan without stockholder approval, except where required by applicable law.

1999 Non-Employee Director Stock Option Plan We adopted the 1999 Non-Employee Director Stock Option Plan to attract and retain the services of experienced and knowledgeable independent directors, and to provide an additional incentive for those directors to work for the best interests of CoolSavings and its stockholders.

The 1999 Non-Employee Director Stock Option Plan was approved by our stockholders on November 17, 1999 and, unless terminated earlier, it expires in May 2009. The 1999 Non-Employee Director Stock Option Plan is designed to work automatically without administration. To the extent administration is necessary, however, it will be performed by the board of directors. To the extent that conflicts of interest arise, we expect interested directors will abstain from both deliberations and voting regarding matters in which they have personal interests.

The 1999 Non-Employee Director Stock Option Plan provides that each person who is a non-employee director on the date that the 1999 Non-Employee Director Stock Option Plan became effective and each person who becomes a non-employee director after the date of the plan will be granted, on the later of the date on which the optionee first becomes a non-employee director or the effective date of the plan, a non-qualified stock option to purchase a number of shares of common stock that have a fair market value of $50,000 on the date of issuance. In addition, on the date of each of our annual stockholder meetings, each non-employee director will automatically be granted an additional non-qualified option to purchase a number of shares of common stock with a fair market value of $50,000 if, on that date, he or she has served on our board of directors for at least six months. All options granted under the 1999 Non- Employee Director Stock Option Plan shall have an exercise price equal to 100% of the fair market value of the common stock on the date of grant and will vest in full on the first anniversary of the date of grant.

Awards granted under the 1999 Non-Employee Director Stock Option Plan generally expire three months after the non-employee director ceases to serve as a director, except in the case of death, in which case awards generally may be exercised up to 12 months following the date of death. Options granted under the 1999 Plan generally have a term of ten years.

The number of shares of common stock which may be issued under the 1999 Plan is limited to 2% of the total number of shares of common stock issued and outstanding from time to time. As of December 31, 1999, options to purchase 55.000 shares of common stock have been issued under the 1999 Non-Employee Director Stock Option Plan.

Appropriate adjustments will be made in the number of shares of common stock subject to each award and the exercise price per share of each award if there is any change in the common stock as a result of a stock dividend, stock split, recapitalization or otherwise. If CoolSavings is merged or consolidated, the property or stock of CoolSavings is acquired by another corporation or CoolSavings is reorganized, liquidated or impacted by an extraordinary transaction, the outstanding options will become fully exercisable.

The 1999 Non-Employee Director Stock Option Plan will terminate when no further shares of common stock are available for issuance upon the exercise of awards and all outstanding awards have expired or have been exercised. The board of directors may at any time terminate the 1999 Non-Employee Director Stock Option Plan, but termination will not affect awards previously granted. Any awards which were granted prior to termination would remain exercisable by the holder under the terms of the applicable award agreement. In addition, the board of directors may at any time amend the 1999 Non-Employee Director Stock Option Plan without stockholder approval, except as required by applicable law.

401(k) Plan

We have a tax-qualified employee savings plan which covers all of our full- time employees who are at least 21 years of age. Eligible employees may defer up to 25% of their pre-tax earnings, subject to the Internal Revenue Service's annual contribution limit. Our 401(k) plan permits us to make additional discretionary matching contributions on behalf of all participants in our 401(k) plan in an amount determined by us. Our 401(k) plan is intended to qualify under Section 401 of the Internal Revenue Code of 1986 so that contributions by employees or by us to our 401(k) plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the plan, and so that contributions by us, if any, will be deductible by us when made.

Employment Agreements and Severance Arrangements Each of our executive officers has signed our standard terms of employment detailing, among other things, his confidentiality obligations and his at-will employment status. Currently, none of our executive officers has a formal employment agreement with us. All of our executive officers are employees at- will and may be terminated at any time at the discretion of our board of directors.

In January 2000, we entered into a termination agreement with Hillel Levin, our former President and Chief Operating Officer. Under the terms of this agreement, (a) Mr. Levin confirmed that he voluntarily resigned from CoolSavings effective as of December 31, 1999, (b) we agreed to pay Mr. Levin a $20,000 bonus on or before January 15, 2000, (c) CoolSavings and Mr. Levin agreed to enter into a one-year consulting agreement, and (d) Mr. Levin agreed not to compete with us for a period of two

years after the termination of the consulting agreement. Under the terms of the consulting agreement, Mr. Levin will spend up to 25 hours per week performing consulting services for us for a period of one year and we will pay Mr. Levin a consulting fee of $120,000.

Limitation of Liability and Indemnification As permitted by the Michigan Business Corporation Act ("MBCA"), our articles of incorporation include a provision that limits the liability of our directors to the maximum extent permitted by the MBCA. The MBCA limits the liability of directors for monetary damages for breach of fiduciary duty as a director, except for liability for (a) a breach of the director's duty of loyalty to the corporation or its stockholders, (b) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (c) illegal loans, distributions of dividends or assets, or stock purchases as described in Section 551(1) of the MBCA, and (d) transactions from which the director derived an improper personal benefit.

In addition, our bylaws generally provide that we will indemnify our directors and officers to the fullest extent authorized or permitted under the MBCA and that we will advance expenses at the request of a director or officer. Prior to the completion of this offering, we intend to enter into indemnity agreements with each of our current officers and directors to give them additional contractual assurances regarding the scope of the indemnification set forth in our articles of incorporation and bylaws.

We believe that these indemnification and limitation of liability provisions will assist us in attracting and retaining talented directors and officers in light of the risk of litigation directed against directors and officers of publicly held corporations.

Certain Transactions

Transactions with Management and Others Lend Lease In May 1998, we borrowed $1.0 million from Lend Lease International Pty. Limited (Lend Lease), an Australian company, under a promissory note providing for repayment of the indebtedness in six months or upon Lend Lease making a contemplated $5.0 million investment in CoolSavings, whichever occurred first. We repaid the promissory note on June 1, 1998, when Lend Lease made its first equity investment in CoolSavings.

In June 1998, we entered into an Investment Agreement with Lend Lease pursuant to which Lend Lease committed to invest up to $18.5 million in CoolSavings upon the occurrence of specified events. Under the Investment Agreement, Lend Lease purchased: 2,170.82 shares of common stock for $5.0 million on June 1, 1998; 1,973.47 shares of common stock for $5.0 million on November 4, 1998; 2,368.16 shares of common stock for $5.0 million on March 11, 1999; and 1,860.70 shares of common stock for $3.5 million on April 27, 1999.

In connection with the Investment Agreement, on June 1, 1998, CoolSavings, Lend Lease and certain of our stockholders entered into a shareholders agreement under which, among other things, Lend Lease designated three persons to serve on our board of directors. Albert Aiello, Robert J. Kamerschen and Lynette H. Mayne are currently the directors designated by Lend Lease. The provisions in the

shareholders agreement addressing the composition of our board of directors will terminate upon the completion of this offering. Two of our shareholders have also agreed to vote in favor of the election of a director nominated by Lend Lease. Please see "Management--Board of Directors."

In April 1999, Lend Lease agreed to loan us up to $3.5 million, which we could borrow in our discretion by December 31, 1999. In October 1999, we borrowed nearly $3.5 million under convertible subordinated notes issued to Lend Lease. These notes bear interest at a rate of 10% per annum. The principal and interest on these notes automatically convert into shares of our common stock upon completion of this offering at a conversion price equal to 90% of the initial public offering price. The notes mature on June 30, 2000 if this offering is not completed before that date. If the notes are not paid within 15 days after their due date, they will automatically convert into 696.000 shares of our common stock.

On December 31, 1999, Lend Lease purchased shares of our Series A convertible preferred stock. Please see "--Series A Convertible Preferred Stock." As of December 31, 1999, Lend Lease owned approximately 30.0% of our capital stock and, assuming conversion of the convertible subordinated notes into shares at an assumed initial public offering price of $ per share, would have owned % of our capital stock on a pro forma basis as of that date.

Loan from Director

Under a credit agreement dated December 18, 1997 between CoolSavings and the Richard H. Rogel Revocable Living Trust u/a/d March 21, 1990, the grantor, trustee and beneficiary of which is Richard H. Rogel, a director of CoolSavings (the Rogel Trust), the Rogel Trust loaned us $1.05 million. In connection with this credit agreement, we issued the Rogel Trust warrants to purchase 700 shares of our common stock at $1,500 per share and warrants to purchase 50 shares of our common stock at $2,500 per share. We have repaid the loan to the Rogel Trust and the Rogel Trust has exercised the warrants. Please see "--Loans to Directors."

Loans to Directors

On February 4, 1999, our board of directors authorized the payment of the exercise prices of outstanding options and warrants held by our directors and other warrant holders by delivery of promissory notes to CoolSavings with the following terms: (a) all principal and accrued and unpaid interest is due on the fourth anniversary of the issuance of the note; (b) the note bears interest at the rate of 4.83% per annum (the then applicable federal rate); (c) accrued interest is payable annually; (d) the note is secured by the shares of common stock issued upon exercise of such option or warrant; and (e) the maker is personally liable on the note to the extent of all accrued interest on the note plus 20% of the total principal amount of the note.

Prior to the date of this prospectus, the following directors of CoolSavings exercised their outstanding options and warrants in exchange for the delivery of a promissory note with the terms described above:

Name	Shares Issued Upon Exercise	Principal Amount of Note
Richard H. Rogel, Trustee	750.000	$1,181,250(a)
Albert Aiello	50.000	120,922

Hugh R. Lamle	50.000	120,922
Lynette Mayne	50.000	120,922

(a) Mr. Rogel delivered 13 notes in the aggregate principal amount of $1,050,000 upon the exercise of warrants to purchase 700 shares of common stock and delivered an additional note in the principal amount of $131,250 upon the exercise of an option to purchase 50 shares of common stock. All of these notes have identical terms and conditions as described above.

Prior to the date of this prospectus, the following former directors of CoolSavings exercised their outstanding options in exchange for the delivery of a promissory note with the terms as described above:

Shares Issued Name Upon Exercise Principal Amount of Note

Eve Bosak	50.000	$131,250
Douglas J. Golden	50.000	131,250
Elwyn Jenkins	50.000	120,922
Peter Sugar	50.000	131,250
Arthur A. Weiss	50.000	131,250

Options to Director

On July 13, 1999, we granted to Richard H. Rogel, one of our directors, an option to purchase 100 shares of our common stock at a price of $5,023.54 per share. This grant is in addition to the options granted to all directors automatically upon adoption of the 1999 Non-Employee Director Stock Option Plan. Mr. Rogel exercised this option by delivering to CoolSavings a full recourse promissory note in the original principal amount of $502,354. This note bears interest at the rate of 5.86% per annum (the then applicable federal rate), provides for annual payments of accrued interest and is due in full on the fourth anniversary of the note.

Convertible Subordinated Notes One of our directors, Hugh R. Lamle, controls a limited partnership, HLBL Family Partners, LP, which purchased one of our convertible subordinated notes in the original principal amount of $65,000. This note will be converted into shares of our common stock upon completion of this offering, based upon an assumed initial public offering price of $ per share.

Series A Convertible Preferred Stock The following table summarizes the shares of our Series A convertible preferred stock purchased by our executive officers, directors and significant stockholders in December 1999:

Number of Shares of Series A Convertible Name Preferred Stock Purchase Price

Lend Lease International Pty. Limited	549.41	$5,000,000
Hugh R. Lamle(a)	109.88	1,000,000
David E. Simon(b)	109.88	1,000,000
Robert Kamerschen	30.00	273,019
David H. Jacobson	8.00	72,805

(a)Owned by HLBL Family Partners, LP, an entity controlled by Hugh R. Lamle. (b)Owned by Cool Savings Investors, LLC, an entity in which David E. Simon is a member.

Relationships with Legal Counsel Our outside corporate counsel is Golden & Gorman, P.C. Douglas J. Golden, a shareholder of Golden & Gorman, P.C., is the brother of Steven M. Golden, our Chairman of the Board and Chief Executive Officer. Douglas J. Golden is also a former director of CoolSavings and was our Secretary until May 1999. Please see "--Loans to Directors."

Our outside securities counsel is Jaffe, Raitt, Heuer & Weiss, Professional Corporation. Peter Sugar and Arthur A. Weiss, shareholders of Jaffe, Raitt, Heuer & Weiss, Professional Corporation, are former directors of CoolSavings. Please see "--Loans to Directors" and "Legal Matters."

Principal Stockholders

The following table sets forth information with respect to the beneficial ownership of our capital stock as of December 31, 1999, which includes our outstanding shares of Series A convertible preferred stock which will convert into common stock immediately prior to completion of this offering, by:

. each person known by us to beneficially own more than 5% of our common stock;

. each Named Executive Officer;

. each of our directors; and . all executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options that are currently exercisable or exercisable within 60 days after December 31, 1999, are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to the shares indicated, subject to applicable community property laws. Beneficial ownership percentage is based on 27,578.651 shares of common stock outstanding as of December 31, 1999, 2,197.650 shares of Series A convertible preferred stock outstanding as of December 31, 1999 and shares of common stock outstanding after completion of this offering.

Unless indicated otherwise, the address of the beneficial owners is: c/o coolsavings.com inc., 8755 West Higgins Road, Suite 100, Chicago, Illinois 60631.

		Percentage of Shares Beneficially Owned	
Name and Address of Beneficial Owner	Shares Beneficially Owned	Before Offering	After Offering
Lend Lease International Pty. Limited(1)	8,922.560	%	%
Level 44, Australia Square Sydney, Australia 2000			
Richard H. Rogel(2)	5,976.620		
56 Rose Crown Avon, Colorado 81620			
Steven M. Golden(3)	4,238.100		
Hillel Levin(4)	827.136		
Matthew Moog(5)	509.570		
David H. Jacobson(6)	16.000		
John J. Adams(7)			

8.000 Jonathan J. Smith(7)..... 8.000 Hugh R. Lamle(8)..... 300.400 c/o M.D. Sass 1185 Avenue of the Americas New York, New York 10036 Albert Aiello..... 50.000 81 Carisbrooke Rd. Wellesley, Massachusetts 02481

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percentage of Shares Beneficially Owned	
		Before Offering	After Offering

Lynette H. Mayne..... 50.000 Level 44, Australia Square Sydney, Australia 2000 David E. Simon(9)..... 109.880 c/o Simon Property Group, Inc. 115 West Washington Street Indianapolis, Indiana 46204 Robert J. Kamerschen(10)..... 30.000 200 Day Hill Rd. Windsor, Connecticut 06095 All directors and executive officers as a group (11 persons)(11)..... 11,296.570 * Less than 1%. (1) Includes 549.410 shares of Series A convertible preferred stock which have the same voting rights as shares of common stock and will be converted into an equivalent number of shares of common stock upon the closing of this offering. (2) All of these shares of common stock are held by a revocable trust, of which Mr. Rogel is the trustee. (3) Includes 3,808.100 shares of common stock held by a revocable trust, of which Mr. Golden is the trustee, 150 shares of common stock held by Steven M. Golden LLC, which is controlled by Mr. Golden, and 280 shares of common stock subject to options exercisable within 60 days after December 31, 1999. (4) Includes 100 shares of common stock held by Shore Bridge, L.P., which is controlled by Mr. Levin, and 260 shares of common stock subject to options exercisable within 60 days after December 31, 1999. (5) Includes 294.380 shares of common stock subject to options exercisable within 60 days after December 31, 1999. (6) Includes 8.000 shares of Series A convertible preferred stock which have the same voting rights as shares of common stock and will be converted into an equivalent number of shares of common stock upon the closing of this offering. (7) Represents 8.000 shares of common stock subject to options exercisable within 60 days after December 31, 1999. (8) Includes 140.521 shares of common stock and 109.880 shares of Series A convertible preferred stock, which have the same voting rights as shares of common stock and will be converted into an equivalent number of shares of common stock upon the closing of this offering, held in the name of HLBL Family Partners, LP, which is controlled by Mr. Lamle. (9) Represents 109.880 shares of Series A convertible preferred stock which have the same voting rights as shares of common stock and will be converted into an equivalent number of shares of common stock upon the closing of this offering. These shares are held in the name of Cool Savings Investors, LLC. Mr. Simon, a member of Cool Savings Investors, LLC, disclaims beneficial ownership of the shares held by that entity except to the extent of his proportionate pecuniary interest therein. (10) Represents 30.000 shares of Series A convertible preferred stock which have the same voting rights as shares of common stock and will be converted into an equivalent number of shares of common stock upon the closing of this offering. (11) Includes 590.380 shares of common stock subject to options exercisable within 60 days after December 31, 1999.

Description of Capital Stock

Upon completion of this offering, after giving effect to the filing of our restated articles of incorporation, our authorized capital stock will consist of 100,000,000 shares of common stock, without par value, and 10,000,000 shares of preferred stock, without par value.

The following summary of our capital stock and restated articles of incorporation and bylaws are qualified by reference to the restated articles of incorporation and bylaws filed with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus forms a part.

Common Stock

As of December 31, 1999, there were 27,578.651 shares of common stock outstanding, held by approximately 125 stockholders of record. The holders of outstanding shares of common stock are entitled to receive dividends out of legally available assets at such times and in such amounts as the board of directors may from time to time determine. Each holder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for in our articles of incorporation, which means that the holders of a majority of the shares of common stock voted can elect all of the directors nominated for election. Subject to preferences that may be applicable to any then outstanding preferred stock, holders of common stock are entitled to receive ratably the dividends, if any, that may be declared by our board of directors out of legally available funds. Upon a liquidation, dissolution or winding up of CoolSavings, the holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all debts and other liabilities of CoolSavings, subject to the prior rights of any preferred stock then outstanding. Holders of common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and the common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

Preferred Stock

As of December 31, 1999, there were 2,197.650 shares of Series A convertible preferred stock outstanding, held by approximately 70 stockholders of record. Upon the completion of this offering, there will be no shares of preferred stock outstanding. Our board of directors has the authority, within the limitations and restrictions contained in the articles of incorporation, to issue shares of preferred stock, in one or more classes or series, and to fix the rights, preferences, privileges, and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series or the designation of such series. The board of directors, without stockholder approval, could issue shares of preferred stock with voting and conversion rights which could adversely affect the voting power or other rights of the holders of shares of common stock. The issuance of shares of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of

delaying, deferring or preventing a change in control of CoolSavings and may negatively affect the market price of the common stock and the voting and other rights of the holders of common stock. We have no current plans to issue any shares of preferred stock.

Convertible Subordinated Notes As of December 31, 1999, approximately $5.0 million of coolsavings.com inc. 1999 unsecured, convertible subordinated notes were outstanding. These notes will automatically convert into shares of our common stock upon the completion of this offering at a conversion price equal to 90% of the initial public offering price, and mature on June 30, 2000 if this offering is not completed before that date. If the notes are not paid within 15 days after their due date, they will automatically convert into 994.594 shares of our common stock.

Series A Convertible Preferred Stock In December 1999, we issued 2,197.650 shares of our Series A convertible preferred stock to investors for an aggregate purchase price of $20.0 million. Upon completion of this offering, these shares of Series A convertible preferred stock will be converted into shares of common stock.

Registration Rights

Shareholders Agreement Under an agreement between us and some of our stockholders, stockholders holding an aggregate of 25,510.341 shares of common stock, referred to as registrable securities, have registration rights with respect to the registrable securities.

When we become eligible to use a registration statement on Form S-3 to register an offering of our securities, holders of the registrable securities may request that we file a registration statement on Form S-3 covering all or a portion of the registrable securities held by them, provided that the proceeds from that offering are at least $1.0 million. We are only obligated to effect two of these demand registrations and we have the right to delay the filing of a registration statement on Form S-3 for up to 90 days.

In addition, the holders of registrable securities have piggyback registration rights. If we propose to register any common stock under the Securities Act, other than under the Form S-3 registration rights noted above or an employee benefit plan, the holders of the registrable securities may require us to include all or a portion of their securities in such registration. However, the underwriters, if any, of that offering have the right to limit the number of registrable securities proposed to be included in that registration.

We will bear all of the costs and expenses incurred in connection with these registrations, except that the holders of registrable securities participating in any registration would pay their own underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of their securities.

These registration rights terminate five years after the completion of this offering.

Agreement with Holders of Unsecured, Convertible Subordinated Notes Under an agreement with us, the holders of our 1999 unsecured, convertible subordinated notes have registration rights with respect to the shares of common stock issuable upon conversion of the notes.

The holders of the notes have piggyback registration rights. If, after the completion of this offering, we propose to register any common stock under the Securities Act, other than on Form S-4 (or any successor form) or under an employee benefit plan, the holders of the notes may require us to include all or a portion of their securities in such registration. However, the underwriters, if any, of that offering have the right to limit the number of registrable securities proposed to be included in that registration.

We will bear all of the costs and expenses incurred in connection with these registrations, except that the holders of the notes participating in any registration would pay their own underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of their securities.

These registration rights terminate two years after the completion of this offering.

NBC Agreement

Under our stock purchase and advertising agreement with National Broadcasting Company, Inc., NBC has registration rights with respect to its shares of our common stock.

At any time beginning six months after this offering, NBC may request that we register at least 50% of its shares of our common stock or any lesser percentage of its shares if the aggregate public offering price is greater than $5,000,000. We are only obligated to effect one of these demand registrations and we have the right to delay the filing of a registration statement for up to 90 days.

In addition, NBC has piggyback registration rights with respect to its shares of our common stock. If, after the completion of this offering, we propose to register any common stock under the Securities Act, other than in a Rule 145 transaction or under an employee benefit plan, NBC may require us to include all or a portion of its shares of our common stock in such registration. However, the underwriters, if any, of that offering have the right to limit the number of NBC shares proposed to be included in that registration.

We will bear all of the costs and expenses incurred in connection with these registrations except that NBC would pay its own underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of its securities.

These registration rights terminate three years after the completion of this offering.

Agreement with Holders of Series A Convertible Preferred Stock Under an agreement with us, the holders of our Series A convertible preferred stock have piggyback registration rights with respect to the shares of common stock issuable upon conversion of the Series A convertible preferred stock. If, after the completion of this offering, we propose to register any common stock under the Securities Act, other than on Form S-4 (or any successor form) or under an employee benefit plan, the holders of the Series A convertible preferred stock may require us to include all or a portion of their securities in such registration. However, the underwriters, if any, of that offering have the right to limit the number of registrable securities proposed to be included in that registration.

We will bear all of the costs and expenses incurred in connection with these registrations, except that the holders of the Series A convertible preferred stock participating in any registration would pay their own underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of their securities.

These registration rights terminate two years after the completion of this offering.

Anti-Takeover Effects of Certain Provisions of Michigan Law and Our Articles of Incorporation and Bylaws Michigan Anti-Takeover Statutes Chapters 7A and 7B of the MBCA may affect attempts to acquire control of CoolSavings. In general, unless the corporation's charter specifies otherwise, under Chapter 7A, "business combinations" between a covered Michigan corporation or its subsidiaries and an "interested shareholder" can be consummated only if approved by at least 90% of the votes of each class of shares entitled to vote and by at least two-thirds of the voting shares held by disinterested shareholders. The MBCA defines a "business combination" to include, among other transactions, certain mergers, dispositions of assets or shares and recapitalizations. An "interested shareholder" is defined as the direct or indirect beneficial owner of at least 10% of the voting power of a covered corporation's outstanding shares. The MBCA provides an exemption to this supermajority voting requirement if five years have elapsed after the person involved became an "interested shareholder" and if certain price and other conditions are satisfied. Our articles of incorporation include a provision expressly "opting out" of Chapter 7A. Our board of directors may "opt in" to Chapter 7A at any time by action of a majority of the directors then in office.

In general, under Chapter 7B of the MBCA, an entity that acquires "control shares" of a covered corporation may vote the control shares in favor of or against any matter only if a majority of all shares, and of all non-"interested shares," of each class of shares entitled to vote as a class approve the voting rights of that acquirer of "control shares." The MBCA defines "interested shares" as shares owned by officers or employee-directors of the corporation, or of the entity making the control share acquisition. "Control shares" are defined as shares that, when added to shares already owned by an entity, would give the entity voting power in the election of directors over any of three thresholds: one-fifth, one-third and a majority. The effect of this statute is to condition the acquisition of voting control of a corporation on the approval of a majority of the pre-existing disinterested shareholders. Our board of directors may amend the bylaws before a control share acquisition occurs to provide that Chapter 7B does not apply to CoolSavings.

In addition, some provisions of our restated articles of incorporation and restated bylaws which will take effect upon the consummation of this offering may have an anti-takeover effect. They may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interests, including those attempts that might result in a premium over the market price for the shares held by our stockholders. The following summarizes these provisions.

Advance Notice Requirements for Stockholder Proposals and Director Nominations Our restated bylaws will provide that stockholders must provide timely written notice before bringing business before an annual meeting of stockholders or nominating candidates for election as directors. Our

restated bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may prevent stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Filling Vacancies

Our restated bylaws will authorize the board of directors to fill vacant directorships or increase the size of the board of directors, which may deter a stockholder from removing incumbent directors and simultaneously gaining control of the board of directors.

Supermajority Voting Provisions Our restated articles of incorporation will require the affirmative vote of the holders of at least two-thirds of our outstanding voting stock for the alteration, amendment or repeal of, or the adoption of any provision inconsistent with, our restated articles of incorporation or bylaws, unless the alteration, amendment or repeal is recommended by the board of directors. In that case, the affirmative vote of the holders of a majority of the voting stock of CoolSavings is required.

Stockholder Action; Special Meeting of Stockholders Our restated articles of incorporation will provide that stockholders may not take action by written consent. Our restated bylaws will further provide that special meetings of stockholders may be called only by the Chairman of the board of directors, the Chief Executive Officer, a majority of the board of directors or the holders of at least a majority of the shares entitled to vote in the election of directors.

Authorized but Unissued Shares The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval. We may use these shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. This could make it more difficult or discourage an attempt to obtain control of CoolSavings by means of a proxy contest, tender offer, merger or otherwise.

Limitation of Liability and Indemnification Matters Our restated articles of incorporation and our restated bylaws will provide that we will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures. These provisions may have the effect of preventing changes in our management.

Nasdsaq Symbol

We have applied for quotation of our common stock on the Nasdaq National Market under the symbol CSAV.

Transfer Agent and Registrar The transfer agent and registrar for the common stock is .

Shares Eligible for Future Sale

Prior to this offering, there has been no market for our common stock and a significant public market for our common stock may not develop or be sustained after this offering.

If our stockholders sell substantial amounts of common stock, including shares issued upon the exercise of outstanding options, in the public market following this offering, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity-related securities in the future and at a time and price that we deem appropriate.

Upon completion of this offering, we will have outstanding an aggregate of shares of common stock. All of the shares of common stock sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless these shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act. This leaves shares eligible for sale into the public market as follows:

Number of Shares Date Immediately after the date of this prospectus 180 days after the effective date of the registration statement containing this prospectus (subject in some cases to volume limitations) At various times after 180 days after the effective date of the registration statement containing this prospectus Lock-Up Agreements All of our executive officers and directors and the holders of substantially all of our common stock have agreed, for a period of 180 days from the effective date of the registration statement containing this prospectus without the prior written consent of Hambrecht & Quist LLC, not to sell, offer, contract to sell, transfer the economic risk of ownership in, make any short sale, pledge or otherwise dispose of any shares of our common stock or any securities convertible into or exchangeable or exercisable for or any other rights to purchase or acquire our common stock, with the exception of specific family and estate planning transfers. In addition, Hambrecht & Quist LLC may remove these lock-up restrictions prior to the expiration of the lock-up period.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year, including the holding period of any prior owner other than an affiliate, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

. 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or . the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about CoolSavings.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell those shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted, Rule 144(k) shares may be sold immediately upon the completion of this offering.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, any of our employees, consultants or advisors who purchase shares of our common stock in connection with a compensatory stock or option plan or other written agreement is eligible to resell those shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

Registration Rights

After this offering, the holders of shares of our common stock, or their transferees, will be entitled to registration rights under the Securities Act. Please see "Description of Capital Stock--Registration Rights." After registration, these shares will generally be freely tradable without restriction under the Securities Act. These sales could cause the trading price of our common stock to decline, perhaps substantially.

Stock Options

As of December 31, 1999, options to purchase 3,690.580 shares of our common stock were issued and outstanding. Within 12 months after this offering, we intend to file a registration statement under the Securities Act covering shares of our common stock subject to outstanding options or reserved for issuance under our 1997 Stock Option Plan and 1999 Non-Employee Director Stock Option Plan. Shares of our common stock registered under that registration statement will, subject to vesting provisions and Rule 144 volume limitations applicable to our affiliates, be available for sale in the open market immediately after any applicable 180-day lock-up agreements expire or are terminated.

Underwriting

We have entered into an underwriting agreement with the underwriters named below. Hambrecht & Quist LLC, Lehman Brothers Inc. and Thomas Weisel Partners LLC are acting as representatives of the underwriters. Subject to the terms and conditions of the underwriting agreement, each underwriter has severally agreed to purchase the number of shares of common stock set forth opposite its name below.

Number of Underwriters Shares Hambrecht & Quist LLC..... Lehman Brothers Inc. ..... Thomas Weisel Partners LLC.....
Total.....

The underwriting agreement provides that the obligations of the underwriters are subject to specified conditions, including the absence of any material adverse change in our business and the receipt of certificates, opinions and letters from us, our counsel and our independent auditors. The underwriters are committed to purchase all the shares of common stock offered by us, other than those shares covered by the over-allotment option described below, if they purchase any of the shares.

The underwriters propose to offer the shares directly to the public at the initial public offering price shown on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and those dealers may re-allow, a concession not in excess of $ per share to other dealers. After the initial offering of shares, the underwriters may change the public offering price and other selling terms. The representatives have advised us that the underwriters do not intend to confirm discretionary sales in excess of 5% of the shares of common stock offered hereby.

We have granted to the underwriters an option, exercisable no later than 30 days after the date of this prospectus, to purchase up to additional shares of common stock at the initial public offering price, less the underwriting discounts shown on the cover page of this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will have a firm commitment to purchase approximately the same percentage of those additional shares which the number of shares of common stock to be purchased by it shown in the above table bears to the total number of shares of common stock offered by us. We will be obligated pursuant to this option to sell shares to the underwriters to the extent the option is exercised. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of shares of common stock offered by us.

The offering of the shares is made for delivery when, as and if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The underwriters reserve the right to reject an order for the purchase of shares in whole or in part.

The following table provides information regarding the amount of the discount to be paid to the underwriters by us in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of our common stock.

Paid to the Underwriters No Full Exercise Exercise Per share.....
Total.....

We will pay the offering expenses, estimated to be $, excluding the underwriting discount.

We have agreed to indemnify the underwriters against certain civil liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of any of those liabilities.

We, our executive officers and directors and the holders of substantially all of our common stock have agreed for a period of 180 days from the effective date of the registration statement containing this prospectus, without the prior written consent of Hambrecht & Quist LLC, not to sell, offer, contract to sell, transfer the economic risk of ownership in, make any short sale, pledge or otherwise dispose of any shares of our common stock or any securities convertible into or exchangeable or exercisable for or any other rights to purchase or acquire our common stock, with the exception of specific family and estate planning transfers. In addition, during this period, we have agreed not to file any registration statement with respect to, and each of our executive officers and directors and the holders of substantially all of

our common stock have agreed not to make any demand for, or exercise any right with respect to, the registration of any shares of common stock or other securities issued by us, without the prior written consent of Hambrecht & Quist LLC, other than this offering.

The underwriters, at our request, have reserved for sale at the initial public offering price up to five percent (5%) of the shares of common stock to be sold in this offering for sale to our employees and other persons designated by us. These reserved shares will be sold at the public offering price that appears on the cover page of this prospectus. The number of shares available for sale to the general public will be reduced to the extent that any reserved shares are purchased by these persons. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus.

Prior to this offering, there has been no public market for our common stock. The initial public offering price for the common stock in this offering will be determined by negotiation between us and the representatives of the underwriters. The factors to be considered in determining the initial public offering price include prevailing market conditions, the history of and the prospects for the industry in which we compete, an assessment of our management, our prospects, our capital structure, our results of operations in recent periods and other factors deemed relevant.

Some of the persons participating in this offering may over-allot or effect transactions that stabilize, maintain or otherwise affect the market price of the common stock at levels above those that might otherwise prevail in the open market, including by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids. A stabilizing bid means the placing of any bid or effecting of any purchase for the purpose of pegging, fixing or maintaining the price of the common stock. A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting of any purchase to reduce a short position created in connection with the offering. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member in connection with the offering when shares of common stock sold by the syndicate member are purchased in a syndicate covering transaction. Stabilizing transactions may be effected on the Nasdaq National Market, in the over-the-counter market, or otherwise. Stabilizing transactions, if commenced, may be discontinued at any time.

Thomas Weisel Partners LLC, one of the representatives of the underwriters, was organized and registered as a broker-dealer in December 1998. Since December 1998, Thomas Weisel Partners LLC has been named as a lead or co- manager on 106 filed public offerings of equity securities, of which 79 have been completed, and has acted as a syndicate member in an additional 54 public offerings of equity securities. Thomas Weisel Partners LLC does not have any material relationship with us or any of our officers, directors or other controlling persons, except with respect to its contractual relationship with us under the underwriting agreement entered into in connection with this offering.

In December 1999, Hambrecht & Quist California purchased 15 shares of our Series A convertible preferred stock and the H&Q Employee Venture Fund 2000, L.P. purchased 6 shares of our Series A convertible preferred stock for an aggregate purchase price of $191,113.23, or $9,100.63 per share.

Legal Matters

The validity of the issuance of the shares of common stock offered hereby will be passed upon for CoolSavings by Jaffe, Raitt, Heuer & Weiss, Professional Corporation, Detroit, Michigan. Pillsbury Madison & Sutro LLP, San Francisco, California, is acting as counsel for the underwriters in connection with selected legal matters relating to the shares of common stock offered by this prospectus. Shareholders of Jaffe, Raitt, Heuer & Weiss, Professional Corporation beneficially own 816.432 shares of our common stock and 20.000 shares of our Series A convertible preferred stock in the aggregate.

The statements in this prospectus relating to patents, patent licenses, trademarks and service marks and related litigation under "Table of Contents" and under the captions "Risk Factors--Intellectual property litigation against us can be costly and could result in the loss of significant rights," "Risk Factors--Protecting our patents, trademarks and proprietary rights may be costly and may distract our management," "Business--Intellectual Property" and the statements in this prospectus relating to intellectual property under the caption "Business--Legal Proceedings" have been reviewed and approved by Niro, Scavone, Haller & Niro, Chicago, Illinois, our intellectual property counsel, and are included in this prospectus in reliance upon that review and approval. Shareholders of Niro, Scavone, Haller & Niro beneficially own 204.000 shares of our common stock in the aggregate.

Experts

The financial statements included in this prospectus as of December 31, 1997 and 1998 and for each of the three years in the period ended December 31, 1998 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing.

Where You Can Find Additional Information

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 with respect to the common stock being sold in this offering. This prospectus, which constitutes a part of that registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information with respect to CoolSavings and the common stock offered hereby, please refer to the registration statement and the exhibits and schedules filed as a part of the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or any other document referred to are not necessarily complete; reference is made in each case to the copy of the contract or document filed as an exhibit to the registration statement. Each statement is qualified in all respects by reference to the exhibit. You may read and copy any document we file at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the public reference room. Our Commission filings are also available at the Commission's web site at http://www.sec.gov.

After this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act and, accordingly, we will file periodic reports, proxy statements and other information with the Commission. Such periodic reports, proxy statements and other information will be available for inspection and copying at the Commission's public reference room and the web site of the Commission referred to above.

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Report of Independent Accountants

To the Board of Directors and Stockholders of coolsavings.com inc.:

In our opinion, the accompanying balance sheets and the related statements of operations, of stockholders' (deficit) equity and of cash flows present fairly, in all material respects, the financial position of coolsavings.com inc. at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP Chicago, Illinois June 7, 1999

Coolsavings.com Inc.

Balance Sheets

December 31, ---------- September 30, 1997 1998 1999 (unaudited) ASSETS

Current assets:			
Cash and cash equivalents.....	$ 64,389	$ 4,895,139	$ 5,294,944
Restricted cash.....	--	67,352	67,352
Accounts receivable, net of allowance of $0, $13,500, and $54,099 at December 31, 1997 and 1998, and September 30, 1999, respectively.....	71,997	281,800	2,242,817
Prepaid advertising.....	--	--	3,071,451
Other assets.....	25,595	85,251	396,000
Total current assets.....	161,981	5,329,542	11,072,564
Property and equipment:			
Office furniture and equipment.....	52,071	298,280	402,121
Computer equipment.....	187,124	698,684	1,918,713
Leasehold improvements.....	--	282,805	300,990
Capitalized software.....	--	45,901	989,913
	239,195	1,325,670	3,611,737
Less accumulated depreciation and amortization.....	(48,011)	(284,568)	(673,476)
	191,184	1,041,102	2,938,261
Other assets.....	--	--	264,554
Total assets.....	$ 353,165	$ 6,370,644	$ 14,275,379

LIABILITIES Current liabilities:

Accounts payable:			
Trade.....	$ 624,698	$ 729,573	$ 2,027,609
Related parties.....	63,403	4,051	197,028
Accrued liabilities.....	199,028	522,366	2,970,110
Deferred revenue.....	--	221,312	341,233
Related party notes payable.....	91,475	--	--
Current maturities of long-term debt..	69,132	64,098	1,595,991
Total current liabilities.....	1,047,736	1,541,400	7,131,971
Long-term debt, less current maturities.....	80,680	235,574	828,926
Commitments and contingencies (Note 5).....			

Stockholders' (Deficit) Equity

Common stock, no par value, 60,000 shares authorized, 16,972.970, 21,404.260 and 27,570.651 shares issued and outstanding at December 31, 1997 and 1998, and September 30, 1999, respectively.....	2,783,365	13,500,865	27,824,658
Additional paid-in capital.....	62,730	455,411	455,411
Accumulated deficit.....	(3,621,346)	(9,362,606)	(19,148,295)
Notes receivable from related parties.....	--	--	(2,817,292)
Total stockholders' (deficit) equity..	(775,251)	4,593,670	6,314,482
Total liabilities and stockholders' (deficit) equity.....	$ 353,165	$ 6,370,644	$ 14,275,379

The accompanying notes are an integral part of the financial statements.

Coolsavings.com Inc.

Statements of Operations

	Year Ended December 31,			Nine Months Ended September 30,	
	1996	1997	1998	1998	1999
				(unaudited)	
Net revenues	$ --	$ 109,510	$ 1,142,819	$ 662,518	$ 6,240,401
Cost of revenues	--	147,144	427,769	263,463	1,043,860
Gross profit (loss)	--	(37,634)	715,050	399,055	5,196,541
Operating expenses:					
Sales and marketing	252,819	1,201,564	2,494,395	1,463,499	8,030,732
Product development	131,285	719,547	1,217,101	698,314	3,220,158
General and administrative	498,447	766,313	2,349,725	1,416,924	3,980,901
Total operating expenses	882,551	2,687,424	6,061,221	3,578,737	15,231,791
Loss from operations	(882,551)	(2,725,058)	(5,346,171)	(3,179,682)	(10,035,250)
Other income (expense):					
Interest and other income, net	9,188	8,911	88,322	50,115	328,859
Interest expense	(873)	(11,170)	(48,517)	(44,190)	(79,298)
Amortization of debt discount	--	(4,204)	(434,894)	(434,894)	--
Net loss	$ (874,236)	$(2,731,521)	$(5,741,260)	$(3,608,651)	$(9,785,689)
Basic and diluted net loss per share	$ (73.40)	$ (171.97)	$ (306.42)	$ (185.72)	$ (355.21)
Weighted average shares used in calculation of basic and diluted net loss per share	11,910.725	15,883.975	18,736.675	19,430.790	27,548.912

The accompanying notes are an integral part of the financial statements

Coolsavings.com Inc.

Statements of Stockholders' (Deficit) Equity Year Ended December 31, 1996, 1997 and 1998 and Nine Months Ended September 30, 1999 (unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Losses	Notes Receivable From Related Parties	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balances, January 1, 1996	10,000.000	$ 51,000	$ --	$ (15,589)	$ --	$ 35,411
Issuance of common stock	3,978.080	834,999				834,999
Net loss				(874,236)		(874,236)
Balances, December 31, 1996	13,978.080	885,999	--	(889,825)	--	(3,826)
Issuance of common stock	2,994.890	1,897,366				1,897,366
Issuance of warrants			62,730			62,730
Net loss				(2,731,521)		(2,731,521)
Balances, December 31, 1997	16,972.970	2,783,365	62,730	(3,621,346)	--	(775,251)
Issue of common stock	4,431.290	10,717,500				10,717,500
Issuance of warrants			376,369			376,369
Stock option compensation			16,312			16,312
Net loss				(5,741,260)		(5,741,260)
Balances, December 31,						

1998.....	21,404.260	13,500,865	455,411	(9,362,606)	--	4,593,670
Issuance of common stock.....	4,266.603	8,500,000				8,500,000
Exercise of options and warrants.....	1,302.600	2,823,793			(2,817,292)	6,501
Issuance of common stock for advertising.....	597.188	3,000,000				3,000,000
Net loss.....				(9,785,689)		(9,785,689)
Balances, September 30, 1999.....	27,570.651	$27,824,658	$455,411	$(19,148,295)	$(2,817,292)	$6,314,482

The accompanying notes are an integral part of the financial statements

Coolsavings.com Inc.

Statements of Cash Flows

	Year Ended December 31,			Nine Months Ended September 30,	
	1996	1997	1998	1998	1999
				(unaudited)	

Cash flows used in operating activities: Net loss..... $(874,236) $(2,731,521) $(5,741,260) $(3,608,651) $(9,785,689) Adjustments to reconcile net loss to net cash used in operating activities: Depreciation..... 3,017 44,995 236,557 134,204 388,908 Amortization of debt discount..... -- 4,204 434,894 434,894 -- Stock option compensation..... -- -- 16,312 16,312 -- Transaction costs..... -- -- -- -- 186,110 Changes in assets and liabilities: Increase in restricted cash..... -- -- (67,352) -- -- Increase in accounts receivable..... -- (71,997) (209,803) (202,628) (1,961,017) Increase (decrease) in prepaid and other current assets..... 3,005 (21,877) (59,656) 6,913 (382,200) Increase in accounts payable..... 167,409 520,693 45,523 (64,097) 1,491,013 Increase (decrease) in deferred revenue..... -- -- 221,312 89,900 119,921 Increase (decrease) in accrued and other liabilities..... 300,000 (100,972) 323,338 (25,224) 2,447,744 Net cash used in operating activities... (400,805) (2,356,475) (4,800,135) (3,218,377) (7,495,210) Cash flows used in investing activities: Purchases of property and equipment..... (11,682) (224,835) (1,040,575) (764,987) (1,342,055) Capitalized software costs..... -- -- (45,901) -- (944,012) Net cash used in investing activities... (11,682) (224,835) (1,086,476) (764,987) (2,286,067) Cash flows from financing activities: Proceeds from short-term debt..... -- 150,000 900,000 900,000 1,500,000 Repayment of short-term debt..... -- -- (1,050,000) (1,050,000) -- Advances on notes payable..... -- 149,812 149,861 43,147 625,245 Proceeds from issuance of common stock..... 834,999 1,897,366 10,717,500 5,717,500 8,506,500 Cash paid for transaction costs..... -- -- -- -- (450,663) Net cash provided by financing activities... 834,999 2,197,178 10,717,361 5,610,647 10,181,082 Net increase (decrease) in cash..... 422,512 (384,132) 4,830,750 1,627,283 399,805 Cash and cash equivalents, beginning of period..... 26,009 448,521 64,389 64,389 4,895,139 Cash and cash equivalents, end of period..... $ 448,521 $ 64,389 $ 4,895,139 $ 1,691,672 $ 5,294,944 Supplemental schedule of cash flow information, interest paid..... $ 873 $ 11,170 $ 48,517 $ 42,566 $ 28,493 Noncash

financing activity: Issuance of common stock in exchange for stockholder notes upon exercise of stock options and warrants..... -- -- -- -- $ 2,817,292 Issuance of common stock for advertising..... -- -- -- -- $ 3,000,000 The accompanying notes are an integral part of the financial statements.

COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 1. Summary of Significant Accounting Policies:

a. The Company: coolsavings.com inc. (the "Company") provides a comprehensive set of e-marketing services used by online and offline advertisers to build one-to-one customer relationships. Under its established brand, advertisers can deliver, target and track a wide array of incentives, including printed and electronic coupons, personalized e-mails, rebates, samples, sales notices, loyalty programs, gift certificates, contests, and banner advertisements to promote products or services in any online or offline environment.

In November 1998, the Company changed its corporate name from Interactive Coupon Marketing Group, Inc. to coolsavings.com inc.

The Company has sustained significant net losses and negative cash flows from operations since its inception. The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to establish profitable operations or raise additional financing through public or private equity financing, bank financing, or other sources of capital. During October 1999, the Company borrowed $3.5 million in exchange for convertible subordinated notes. Additionally, in December 1999, the Company sold $20.0 million of preferred stock to fund planned expenditures for fiscal year 1999.

b. Unaudited Interim Results: The accompanying interim financial statements as of September 30, 1999 and for the nine months ended September 30, 1999 and 1998 and the related notes have not been audited. However, they have been prepared in conformity with the accounting principles stated in the audited financial statements for the three years in the period ended December 31, 1998 and include all adjustments, which were of a normal and recurring nature, which in the opinion of management are necessary to present fairly the financial position of the Company and results of operations and cash flows for the periods presented. The operating results for the interim periods are not necessarily indicative of results expected for the full years.

c. Cash and Cash Equivalents: The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of deposits in money market funds.

d. Concentration of Credit Risk: Financial instruments that potentially subject the Company to a concentration of credit risk consists of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with high credit quality financial institutions. The Company's accounts receivable are derived from revenue earned from customers located primarily in the U.S. and are denominated in the U.S. dollars. During each of the periods presented, no one customer accounted for more than 10% of net accounts receivable. During 1997, the Company had three customers that each

accounted for approximately 22% of total net revenues. For the nine months ended September 30, 1998, one of these customers accounted for approximately 10% of net revenues. No other customer accounted for 10% or more of net revenues for any other period presented.

e. Fair Value of Financial Instruments: The Company's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates their fair value because of the short-term maturity of these instruments. The carrying value for all long-term debt outstanding at the end of all periods presented approximates fair value.

f. Property and Equipment: Property and equipment are recorded at cost. Depreciation and amortization are computed using straight-line and accelerated methods over the estimated useful COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS--(Continued) (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 1. Summary of Significant Accounting Policies, continued:

lives of the assets. Useful lives are 3 to 5 years for computer equipment and 5 to 7 years for furniture and fixtures. Leasehold improvements are amortized over the term or the estimated useful life, whichever is shorter. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation or amortization are eliminated from the respective accounts, and the resulting gain or loss is included in the determination of net income. Maintenance and repair costs are expensed as incurred.

g. Long-Lived Assets: The Company assesses the recoverability of long-lived assets at the entity level, whenever adverse events or changes in circumstances or business climate indicate that an impairment may have occurred. If the future cash flows (undiscounted and without interest) expected to result from the use of the related assets are less than the carrying value of such assets, an impairment has been incurred and a loss is recognized to reduce the carrying value of the long-lived assets to fair value, which is determined by discounting estimated future cash flows. The Company has not recognized an impairment loss in any of the periods presented.

h. Revenue Recognition: Revenue subject to time-based contracts is recognized ratably over the duration of the contract. For contracts based on certain performance or delivery criteria, revenue is recognized in the month performance is delivered to the customer.

i. Advertising: Advertising costs are expensed as incurred. Advertising expense was $67,040, $815,950 and $1,426,452 during 1996, 1997 and 1998, respectively, and $878,599 and $5,725,082 for the nine months ended September 30, 1998 and 1999, respectively.

j. Income Taxes: Until June 1, 1998, the Company had elected, under Section 1362(a) of the Internal Revenue Code, to be treated as an S-corporation for income tax purposes. As such, the Company was not liable for federal income taxes and any taxable income of the Company was included in the tax returns of the Company's stockholders. Income taxes are accounted for using an asset and liability approach, which requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The measurement of current and deferred tax

liabilities and assets are based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

k. Use of Estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

l. Capitalized Software Costs: The Company accounts for software development costs in accordance with the American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use," which requires capitalization of certain costs including the cost of outside consultants. These costs will be amortized using the straight-line method over three years, beginning when individual modules are placed into service. The Company typically does not capitalize internal costs as it is not reasonably cost-effective for the Company to separate these internal costs between maintenance and relatively minor upgrades and enhancements.

COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS--(Continued) (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 1.Summary of Significant Accounting Policies, continued:

m. Stock-Based Compensation: Financial Accounting Standards Board ("FASB") Statement of Accounting Standards (SFAS) No. 123, "Accounting for Stock- Based Compensation" encourages, but does not require, companies to record compensation cost for stock-based compensation at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and its related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair market value of a share of the Company's stock at the date of the grant over the amount that must be paid to acquire the stock. Total compensation expense recognized in connection with nonemployee stock option grants was $16,312 during the year ended December 31, 1998. Due to the vesting terms of non-employee options, no future compensation expense will be recognized in connection with these grants. No compensation expense has been recognized in connection with stock option grants during any other period presented. See Note 6 for the required pro forma net income and earnings per share disclosures required by SFAS Statement No. 123.

n. Basic and Diluted Net Loss Per Share: The Company computes net loss per share in accordance with the provisions of SFAS 128 "Earnings per Share" and SEC Staff Accounting Bulletin No. 98 ("SAB 98"). Under the provisions of SFAS 128 and SAB 98, basic and diluted net loss per share applicable to common stockholders is computed by dividing the net loss applicable to common stockholders for the period by the weighted average number of common shares outstanding for the period. The calculation of diluted net loss per share excludes shares of common stock issuable upon the conversion of

unsecured convertible subordinated notes (see Note 4), exercise of employee stock options and warrants (see Note 7), and the conversion of preferred stock (see Note 8) as the effect of such exercises would be antidilutive.

o. Comprehensive Earnings: The Company reports comprehensive earnings in accordance with SFAS Statement No. 130, "Reporting Comprehensive Income," which establishes standards for the reporting and display of comprehensive earnings and its components in general-purpose financial statements. There were no components of other comprehensive income during any of the periods presented.

p. Recent Pronouncements: The FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," in June 1997. SFAS No. 131 specifies revised guidelines for determining an entity's operating segment and the type and level of financial information to be disclosed. This standard requires that management identify operating segments based on the way that management desegregates the entity for making internal operating decisions. This statement is effective for fiscal years beginning after December 15, 1997. The Company currently operates under the definition of one segment. Therefore, SFAS No. 131 is not applicable to the Company.

In February 1998 the FASB issued SFAS No. 132, "Employer's Disclosures about Pensions and Other Post-Retirement Benefits." SFAS No. 132 standardizes the disclosure requirements for pension and other post- retirement benefits. The statement is effective for fiscal years beginning after December 15, 1997. The Company does not have a pension or other post-retirement plan. Therefore, SFAS No. 132 is not applicable to the Company.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and hedging activities and requires recognition of all derivatives as assets or liabilities in the statement of financial position and measurement of those instruments at fair value. The statement as amended is effective for fiscal years beginning after June 15, 2000. As the Company does not have any derivative instruments or hedging activities, SFAS No. 133 is not expected to have a material effect on its financial results.

COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS--(Continued) (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 2.Related Party Transactions:

a. Legal Services: The Company engages the services of certain attorneys who were members of the Company's Board of Directors during 1997 and 1998, and are holders of the Company's stock. Total fees for services were $66,181, $71,572 and $388,243 during 1996, 1997 and 1998, respectively, and $315,202 and $729,929 during the nine month periods ended September 30, 1998 and 1999, respectively. These fees are included in general and administrative expenses in the Company's statements of operations. Total fees payable were $63,403 and $4,051 at December 31, 1997 and 1998, respectively, and $30,308 and $197,028 at September 30, 1998 and 1999.

b. Notes Receivable: In March, April, and July 1999, shareholders provided a total of $2,817,292 notes receivable upon exercise of stock options and warrants. These notes are due in 2003, with interest at the rates ranging from 4.83% to 5.86% due annually. These notes are collateralized by the shares of common stock issued upon exercise of the related options and warrants and the makers of each note are personally liable for up to 20% of the face value of the note, plus accrued interest.

c. Short-Term Borrowings: In December 1997, the Company entered into an unsecured Line of Credit Loan (the "Loan") with a major shareholder. Under the Loan, the Company could borrow funds as needed at a rate of prime plus 2% (10.5% at December 31, 1997). The Loan became due and was repaid during 1998. The total amount outstanding at December 31, 1997 was $150,000. Total amounts borrowed and repaid during 1998 were $900,000.

In connection with the Loan, the lender received 100 and 650 common stock warrants during 1997 and 1998, respectively. The warrants became immediately exercisable and have a term of five years. Of the warrants, 700 are exercisable at $1,500 and 50 are exercisable at $2,500 as of December 31, 1998. During the nine months ended September 30, 1999, all of warrants were exercised in exchange for notes receivable (see Notes Receivable above). The aggregate fair value of warrants issued during 1997 and 1998 was $107,820 and $653,436, respectively. Such value represents a discount from the fair value of the Loan and the relative fair value of the warrants has been recorded in the financial statements as stipulated by APB 14 and has been amortized over the period that the Loan was outstanding.

3.Accrued Liabilities:

Accrued liabilities consist of the following:

December 31, ---------- September 30, 1997 1998 1999

Accrued payroll	$ 28,223	$139,952	$ 363,293
Accrued marketing expense	65,000	68,476	2,093,991
Other	105,805	313,938	512,826
	$199,028	$522,366	$2,970,110

COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS--(Continued) (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 4.Long-Term Debt:

The Company has a revolving line of credit arrangement with a bank in the amount of $500,000 for the purchase of new equipment. Borrowings under this line are collateralized by the specific equipment purchased and are repayable in 48 equal installments with interest at a rate of prime plus 1% per annum. Amounts outstanding under this line were $149,812 and $299,672 at December 31, 1997 and 1998, respectively. The weighted average interest rate of these borrowings was 9.9% at December 31, 1997 and 9.3% at December 31, 1998.

Under this line of credit the Company is required to comply with certain financial covenants, including maintenance of a minimum tangible net worth. Additionally, the Company may not purchase or retire any outstanding shares or alter or amend its capital structure without the prior consent of the bank. The Company was in compliance with all financial covenants during all periods presented.

On May 21, 1999, the maximum amount of borrowings allowed under this line was increased to $1.0 million.

On April 9, 1999, the Company received a commitment from a major stockholder to advance the Company up to $3.5 million by December 31, 1999 at the Company's discretion. Borrowings under this agreement will bear interest at an annual rate of 10% and the principal amount of the convertible subordinated note will be due on June 30, 2000. Upon the closing of an initial public offering of equity securities prior to the due date, the notes and accrued interest will automatically convert into shares of common stock based on the principal (plus any accrued but unpaid interest) divided by 90% of the public offering price. In the event that an initial public offering does not occur and the notes are not repaid by the Company within 15 days of the due date, the notes and accrued interest will automatically convert to 696 shares of the Company's common stock.

On May 28, 1999, the Company entered into $1.5 million of unsecured convertible subordinated notes. These notes are repayable by the Company on June 30, 2000 with interest at a rate of 10% per annum. Upon the closing of an initial public offering of equity securities prior to the due date, the notes and accrued interest will automatically convert to common stock shares based on the principal (plus any accrued but unpaid interest) divided by 90% of the public offering price. In the event that an initial public offering does not occur and the notes are not repaid by the Company within 15 days of the due date, the notes will automatically convert to 298.594 shares of the Company's common stock.

The aggregate principal payments over the next five years are:

1999	$ 87,106
2000	87,106
2001	84,960
2002	41,475
2003	--
	$300,647

5.Commitments and Contingencies:

a. Letters of Credit: At December 31, 1998 and September 30, 1999, the Company maintained a $67,352 letter of credit to collateralize a lease deposit on its office facility. The letter of credit expires after the termination of the lease. A certificate of deposit for this amount has been established by the Company in the event that the letter of credit is executed.

b. Leases: The Company leases equipment and its office premises under operating lease agreements. Rental expense under these agreements was $45,656, $78,395 and $196,894 during 1996, 1997 and 1998, respectively, and $134,282 and $296,274 for the nine month periods ended September 30, 1998 and 1999.

COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS--(Continued) (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 5.Commitments and Contingencies, continued:

At December 31, 1998, future minimum payments under noncancelable operating leases were as follows:

For the years ended December 31:

1999	$ 363,939
2000	376,498
2001	382,229
2002	107,720
2003 and thereafter	--
	$1,230,386

c. Litigation: The Company is a defendant in business-related litigation. Management does not believe the outcome of such litigation will have a material adverse effect on the Company's financial position, results of operations or cash flows.

6.Income Taxes:

Under Statement of Financial Accounting Standards ("SFAS") No. 109, deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases and for tax carryforward items using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets consist of the following:

December 31, 1998

Deferred tax assets:	
Net operating loss carryforward	$1,345,000
Effect of change in accounting method for tax purposes	385,000
Property and equipment	41,000
Other	6,000
Valuation allowances	(1,777,000)
	$ --

There is no current provision or benefit for income taxes recorded, as the Company has generated net operating losses for income taxes purposes for which there is no carryback potential. There is no deferred provision or benefit for income taxes recorded as the Company is in a net asset position for which a full valuation allowance has been recorded due to uncertainty of realization.

The valuation allowances relate principally to deferred tax assets that the Company believes are unlikely to be realized, including net operating loss carryforwards of approximately $3,956,000 at December 31, 1998, that expire beginning in 2018 for federal purposes.

7.Stockholders' Equity:

a. Advertising Agreement: On May 28, 1999, the Company entered into an agreement with a major television network under which the Company purchased television advertising valued at $3.0 million in exchange for 597.188 shares of its common stock. The advertisements stipulated in the agreement are required to be aired during the twelve-month period beginning on October 1, 1999.

COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS--(Continued) (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 7.Stockholders' Equity, continued:

In accordance with Emerging Issue Task Force Abstract No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," the Company has recorded the value of spots to be received based on the fair value of the spots, as it was more reliably measured than the fair value of the stock issued at the time that the performance commitment by the network was reached. Amounts recorded prior to the running of the advertising spots are classified on the balance sheet as deferred advertising. As the advertising spots are run, the Company recognizes advertising expense.

b. Share Warrants: During 1998 and 1997, the Company issued 650 and 100 warrants, respectively, to a stockholder in connection with providing short-term loans to the Company. See Note 2-Related Parties, for a description of the loans and warrants.

c. Common Stock Options: The Company has two stock-based compensation plans, the 1997 Stock Option Plan (the "Employee Plan") and the 1999 Non-Employee Director Stock Option Plan (the "Non-Employee Plan"). The Employee Plan and the Company's former 1997 Non-Employee Director Stock Option Plan were established by action of the Company's Board of Directors on December 4, 1997. In April 1999, the Company's 1997 Non- Employee Director Stock Option Plan was terminated by the Board of Directors. In July 1999, the Board of Directors approved the establishment of the Non-Employee Plan. Vesting under the Employee Plan is determined by the Board of Directors on an individual grant basis and is typically incremental vesting over a period of approximately four years. Options granted under the Non-Employee Plan become fully vested one year from the date of the grant. The term of the grants made under each plan is established by the Board of Directors and may not exceed ten years. The Company is authorized to issue options under the Employee and Non-Employee Plans for up to 15% for the Employee Plan and 2% for the Non-Employee Plan of the total number of common shares outstanding, including those reserved for issuance upon exercise of stock options and warrants.

In addition to the above plans, the Company has granted options to a certain employee in conjunction with the execution of a Board-approved employment contract. These options are included in the disclosures that follow.

The following information relates to stock options whose exercise price equals the fair value of the underlying stock on the date of grant:

	Year Ended December 31,					
	1996		1997		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	--	$ --	282.380	$ 318.72	1,327.380	$2,035.97
Granted	282.380	318.72	1,045.000	2,500.00	288.600	2,500.00
Exercised	--	--	--	--	--	--
Forfeited/expired	--	--	--	--	(15.400)	2,500.00
Outstanding at end of period	282.380	$318.72	1,327.380	$2,035.97	1,600.580	$2,115.17
Exercisable at end of period	70.595	$318.72	350.190	$1,620.55	687.505	$1,828.06

Weighted average fair value of options granted during the period.....	$ 99.62 $ 781.41 $ 781.41

COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS--(Continued) (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 7.Stockholders' Equity, continued:

The following information relates to stock options whose exercise price exceeds the fair value of the underlying stock on the date of grant:

	Year Ended December 31,					
	1996		1997		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period.....	--	$ --	--	$ --	--	$ --
Granted.....	--	--	--	--	250.000	2,625.00
Exercised.....	--	--	--	--	--	--
Forfeited/expired.....	--	--	--	--	--	--
Outstanding, at end of period.....	--	$ --	--	$ --	250.000	$2,625.00
Weighted average fair value of options granted during the period.....		$ --		$ --		$ 141.56

The following information relates to stock options whose exercise price is less than the fair value of the underlying stock on the date of grant:

	Year Ended December 31,					
	1996		1997		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period.....	--	$ --	--	$ --	--	$ --
Granted.....	--	--	--	--	200.000	2,418.44
Exercised.....	--	--	--	--	--	--
Forfeited/expired.....	--	--	--	--	--	--
Outstanding, at end of period.....	--	$ --	--	$ --	200.000	$2,418.44
Weighted average fair value of options granted during the period.....		$ --		$ --		$ 327.15

COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS--(Continued) (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 7.Stockholders' Equity, continued:

The following table summarizes information about fixed stock options outstanding at December 31, 1998:

December 31, 1998 Weighted Average Remaining Exercise Options Options Contractual Price Outstanding Exercisable Life (Years)

$ 318.72.....	282.380	211.785	7.80
2,418.44.....	200.000	200.000	9.42
2,500.00.....	1,318.200	475.720	9.14
2,625.00.....	250.000	200.000	9.26
Totals.....	2,050.580	1,087.505	9.00

The Company adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock Based Compensation," upon establishing the Employee Plan and the Non-Employee Plan. As permitted by SFAS 123, the Company continues to apply the accounting provisions of APB Opinion Number 25, "Accounting for Stock Issued to Employees" with regard to the measurement of compensation cost for options granted. The Company recognized $16,312 of compensation expense during 1998 in conjunction with grants made under its fixed stock option plans. Had expense been recognized using the fair value method described in SFAS 123, the Company would have reported the following results of operations using the Black-Scholes option pricing model:

Year Ended December 31, 1996 1997 1998 Pro forma net loss..... $(882,746) $(2,913,300) $(5,894,960) Pro forma net loss per diluted share..... $ (74.11) $ (183.41) $ (314.62) These costs may not be representative of the total effects on pro forma reported income for future years. Factors that may also impact disclosures in future years include the attribution of the awards to the service period, the vesting period of stock options, timing of additional grants of stock option awards and number of shares granted for future awards.

The assumptions used for valuations of option grants calculated in accordance with SFAS 123 are as follows:

1996 1997 1998

Annualized dividend yield.....	0%	0%	0%
Risk free rate of return.....	5.5%	5.5%	5.5%
Expected option term (in years).....	7.00	7.00	3.95
Expected volatility.....	0%	0%	0%

COOLSAVINGS.COM INC. NOTES TO FINANCIAL STATEMENTS--(Concluded) (Information presented for the nine months ended September 30, 1999 and 1998 is unaudited) 8.Subsequent Events:

a. Preferred Stock Issuance: In December 1999, the Company issued 2,197.650 shares of no par value Series A convertible preferred stock ("Convertible Preferred") at a price of $9,100.63 per share and received proceeds of $20,000,000. The holders of Convertible Preferred have various rights and preferences as follows:

Voting. Each share of Convertible Preferred has the same voting rights as a share of common stock and votes together as one class with the common stock.

Conversion. Each share of Convertible Preferred is convertible at the earlier of December 31, 2000 or the occurrence of any of the following Liquidity Events: an initial public offering; a change in control of the Company as a result of a merger; consolidation or reorganization; or a sale of substantially all of the assets of the Company.

If the conversion is the result of a Liquidity Event, then each share will be converted into shares of common stock using a conversion ratio based upon projected market capitalization thresholds and structured so that the amount of the aggregate shares of common stock issued upon conversion would constitute between 7.407% and 10% of the currently issued and outstanding shares of common stock as measured on a pro forma, as-converted basis.

Based on the conversion ratios, shares of Convertible Preferred will convert at a value equal to approximately 90% or greater of the offering price of the Company's common stock in an initial public offering. Management has determined that such discount does not constitute a beneficial conversion feature under the Emerging Issues Task Force ("EITF") Issue 98-5 and does not anticipate a deemed dividend in the fourth quarter of 1999.

Such shares are not required to be registered as part of the proposed initial public offering.

In the absence of a Liquidity Event each share will be converted into a number of shares of common stock using the respective conversion ratio that yields the fewest shares of common stock based on either: (a) the number of registered households on the coolsavings.com web site or (b) the total revenue of coolsavings.com for the year 2000 with the potential aggregate number of shares of common stock issued upon conversion ranging between 7.407% and 10.0% of the currently issued and outstanding shares of common stock as measured on a pro forma, as converted basis.

b. Financing Transaction: In October 1999, the Company borrowed approximately $3.5 million under convertible subordinated notes issued to a major stockholder under a commitment agreement entered into in April 1999 (see Note 4). These notes bear interest at 10% per annum, and principal and accrued interest convert into unregistered shares of common stock upon completion of an initial public offering at a conversion price equal to 90% of the initial public offering price. In the event that an initial public offering does not occur and the notes are not repaid by the Company within 15 days of the due date, the notes and accrued interest will automatically convert into 696 shares of the Company's common stock. Management has determined that such discount does not constitute a beneficial conversion feature under the EITF Issue 98-5 and does not anticipate a noncash interest charge in the fourth quarter of 1999. The debt matures on June 30, 2000.

Inside Back Cover

Co-branded Programs

screenshot of screenshot of reward page co-branded home page [logo] powered by coolsavings.com . turnkey customer acquisition and rewards . sign-up incentives and loyalty programs . builds our member database Shares

[Logo of Coolsavings.com Appears Here]

Common Stock

Prospectus

Chase H&q

Lehman Brothers

Thomas Weisel Partners Llc

, 2000

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

Until , 2000, all dealers that buy, sell or trade in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Part Ii

Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Registrant in connection with the sale of the common stock being registered hereby. All the amounts shown are estimated, except the SEC registration fee, the NASD filing fee and the Nasdaq National Market listing fee.

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SEC registration fee.............  $15,180
NASD filing fee..................    6,250
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Nasdaq National Market listing fee		*
Printing and engraving expenses		*
Legal fees and expenses		*
Accounting fees and expenses		*
Blue Sky fees and expenses		*
Transfer Agent and Registrar Fees		*
Miscellaneous Expenses		*
Total	$	*

*To be supplied by amendment.

Item 14. Indemnification of Directors and Officers Section 561 of the Michigan Business Corporation Act (the "MBCA") provides that a Michigan corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against expenses (including attorneys' fees), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no cause to believe his conduct was unlawful.

Section 562 of the MBCA provides that a Michigan corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted under similar standards, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine that despite adjudication of liability, such person is fairly and reasonably entitled to be indemnified for such expenses which the court shall deem proper.

Article V of CoolSavings' bylaws provides for the indemnification of its officers and directors in the manner, and to the fullest extent, authorized by the MBCA. Reference is made to Exhibit 3.3 of this Registration Statement for the complete text of the amended and restated bylaws.

As permitted by the MBCA, CoolSavings' articles of incorporation include a provision that limits the personal liability of its directors to the maximum extent permitted by the MBCA. Reference is made to Exhibit 3.2 of this Registration Statement for the complete text of the restated articles of incorporation to be filed prior to the closing of this offering.

CoolSavings intends to enter into indemnification agreements with its current directors and executive officers. CoolSavings intends to insure its directors and officers against losses arising from any claim against them as such for wrongful acts or omissions, subject to certain limitations.

Under Section 7 of the Underwriting Agreement, the underwriters are obligated, under certain circumstances, to indemnify officers, directors and controlling persons of CoolSavings against certain liabilities, including liabilities under the Securities Act of 1933. Reference is made to the form of Underwriting Agreement filed as Exhibit 1.1 hereto.

Item 15. Recent Sales of Unregistered Securities Within the past three years, the registrant has issued and sold unregistered securities in the amounts, at the times and for the aggregate amounts of consideration listed as follows:

1. On February 11, 1997, we issued 735.7 shares of common stock to two investors for an aggregate purchase price of $300,000.00.

2. On April 1, 1997, we issued 1,029 shares of common stock to eight investors for an aggregate purchase price of $420,000.00.

3. On August 5, 1997, we issued 688 shares of common stock to 16 investors for an aggregate purchase price of $530,865.63.

4. On October 10, 1997, we issued 401 shares of common stock to 21 investors for an aggregate purchase price of $601,500.00.

5. From December 18, 1997 through April 24, 1998, we issued warrants to purchase an aggregate of 750 shares of common stock to the Richard H. Rogel Revocable Living Trust in connection with a financing arrangement.

6. On May 5, 1998, we issued 287 shares of common stock to ten investors for an aggregate purchase price of $717,500.00.

7. On June 1, 1998, we issued 2,170.82 shares of common stock to Lend Lease International Pty. Limited for a purchase price of $5 million.

8. On November 4, 1998, we issued 1,973.47 shares of common stock to Lend Lease International Pty. Limited for a purchase price of $5 million.

9. On March 11, 1999, we issued 2,368.16 shares of common stock to Lend Lease International Pty. Limited for a purchase price of $5 million.

10. On April 27, 1999, we issued 1,860.70 shares of common stock to Lend Lease International Pty. Limited for a purchase price of $3.5 million.

11. On April 27, 1999, we issued an additional 37.74 shares of common stock to the ten investors who purchased shares on May 5, 1998, pursuant to an agreement to render the per-share price of their investment equal to that of Lend Lease International Pty. Limited.

12. On May 28, 1999, we issued promissory notes in the aggregate principal amount of $1.5 million to 18 investors. Upon completion of this offering, these promissory notes will automatically convert into shares of common stock.

13. On May 28, 1999, we issued 597.188 shares of common stock to National Broadcasting Company, Inc. in exchange for $3,000,000 of broadcast advertising.

14. On October 18, 1999, we issued a promissory note in the principal amount of approximately $3.5 million to Lend Lease International Pty. Limited. Upon completion of this offering, this promissory note will automatically convert into shares of common stock.

15. On December 31, 1999, we issued 2,197.650 shares of Series A convertible preferred stock for an aggregate purchase price of $20.0 million to approximately 70 investors. Upon completion of this offering, the Series A convertible preferred stock will automatically convert into shares of common stock.

. Since inception, we have issued options to purchase an aggregate of 3,671.380 shares of common stock to our employees, consultants and directors.

No underwriters were engaged in connection with the foregoing sales of securities. Such sales of common stock, preferred stock, warrants and promissory notes were made in reliance upon the exemption from registration set forth in Section 4(2) of the Securities Act of 1933 and, in most cases, also in Rule 506 of Regulation D promulgated thereunder for transactions not involving a public offering. Issuances of options to the Registrant's employees, directors and consultants were made under Rule 701 promulgated under the Securities Act of 1933. The recipients of the above securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had access, through their relationship with the Registrant, to information about the Registrant.

Item 16. Exhibits and Financial Statement Schedules (a) Exhibit Index See exhibits listed on the Exhibit Index following the signature pages of the Form S-1, which is incorporated herein by reference.

(b) Financial Statement Schedules:

Report of Independent Accountants Schedule II--Valuation and Qualifying Accounts Item 17. Undertakings Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Signatures

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on January 14, 2000.

coolsavings.com inc.

/s/ Steven M. Golden By: _____ Steven M. Golden Chairman of the Board, Chief Executive Officer and President

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below, hereby constitutes and appoints, jointly and severally, Steven M. Golden and David H. Jacobson, or either of them acting alone, as his or her attorneys- in-fact and agents, with full power of substitution and resubstitution for him or her in any and all capacities, to sign any and all amendments, including post-effective amendments, to this Registration Statement and any registration statement relating to the offering covered by this Registration Statement and filed pursuant to Rule 462(b), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission or any regulatory authority, granting unto each of such attorneys- in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of such attorneys-in-fact and agents or his substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

Signature Title Date

/s/ Steven M. Golden _____ Steven M. Golden	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	January 14, 2000
/s/ David H. Jacobson _____ David H. Jacobson	Chief Financial Officer, Treasurer Secretary (Principal Financial and Accounting Officer)	January 14, 2000

/s/ Richard H. Rogel Director January 14, 2000 Richard H. Rogel /s/ Hugh R. Lamle Director January 14, 2000 Hugh R. Lamle /s/ Albert Aiello Director January 14, 2000 Albert Aiello /s/ Lynette H. Mayne Director January 14, 2000 Lynette H. Mayne /s/ David E. Simon Director January 14, 2000 David E. Simon /s/ Robert J. Kamerschen Director January 14, 2000 Robert J. Kamerschen Report of Independent Accountants on Financial Statement Schedule To the Board of Directors of coolsavings.com Our audits of the financial statements referred to in our report dated June 7, 1999 appearing in this Registration Statement on Form S-1 also included an audit of the financial statement schedule. In our opinion, such financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP Chicago, Illinois June 7, 1999 coolsavings.com inc. Schedule II--Valuation and Qualifying Accounts

		Additions (Reductions)			
Classification	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions (1)	Balance at End of Period

Year ended December 31, 1998: Allowance for doubtful receivables..... $ 0 $13,500 $0 $ 0 $13,500 Year ended December 31, 1997: Allowance for doubtful receivables..... $ 0 $ 0 $0 $ 0 $ 0 Year ended December 31, 1996: Allowance for doubtful receivables..... $ 0 $ 0 $0 $ 0 $ 0 Nine months ended September 30, 1999: Allowance for doubtful receivables..... $13,500 $56,616 $0 $16,017 $54,099 Nine months ended September 30, 1998: Allowance for doubtful receivables..... $ 0 $ 0 $0 $ 0 $ 0 (1) Uncollectible accounts written off.

Exhibit Index

Exhibit No. Description 1.1 Form of Underwriting Agreement* 3.1 Articles of Incorporation 3.2 Form of Restated Articles of Incorporation to be filed prior to the closing of this offering* 3.3 Amended and Restated Bylaws* 4.1 Form of Common Stock Certificate* 4.2 Shareholders Agreement, dated as of June 1, 1998, among CoolSavings and certain of its Stockholders 4.3 Form of 1999 Unsecured, Convertible Subordinated Promissory Note of CoolSavings 4.4 Registration Rights Agreement among CoolSavings and the holders of the 1999 Unsecured, Convertible Subordinated Promissory Notes 4.5 Registration Rights Agreement among CoolSavings and the holders of the Series A Convertible Preferred Stock.

5.1 Opinion letter of Jaffe, Raitt, Heuer & Weiss, Professional Corporation, regarding the validity of securities being registered 10.1 Investment Agreement, dated June 1, 1998, by and between CoolSavings and Lend Lease International Pty. Limited 10.2 Form of Indemnification Agreement* 10.3 1997 Stock Option Plan 10.4 1999 Director Option Plan 10.5 Credit Agreement, dated December 18, 1997, between CoolSavings and the Richard H. Rogel Revocable Living Trust u/a/d March 21, 1990 10.6 Form of Promissory Note from current and former directors of CoolSavings payable to CoolSavings in consideration for exercise of stock options and/or warrants 10.7 Termination Agreement, dated December 30, 1999, between CoolSavings and Hillel Levin 10.8 Consulting Agreement, dated as of January 1, 2000, between CoolSavings and Hillel Levin 10.9 Lease Agreement, dated February 24, 1997, between Prentiss Properties Acquisition Partners, L.P. and CoolSavings* 10.10 Agreement of Sublease, dated June 30, 1998, between Insurance Company of North America and CoolSavings* 10.11 Lease Agreement, dated January 3, 2000, between 360 North Michigan Trust and CoolSavings 10.12 Market Survey Panelist Agreement, dated as of October 25, 1999, between CoolSavings and NFO Research, Inc.* 10.13 Bankcard Marketing Agreement, dated April 2, 1999, between CoolSavings and First USA Bank* 10.14 Stock Purchase and Advertising Agreement, dated May 28, 1999, between CoolSavings and National Broadcasting Company, Inc.* Exhibit No. Description 23.1 Consent of Jaffe, Raitt, Heuer & Weiss, Professional Corporation (included as part of Exhibit 5.1) 23.2 Consent of PricewaterhouseCoopers LLP 23.3 Consent of Niro, Scavone, Haller & Niro 24.1 Power of Attorney (included on signature page) 27.1 Financial Data Schedule *To be filed by amendment.