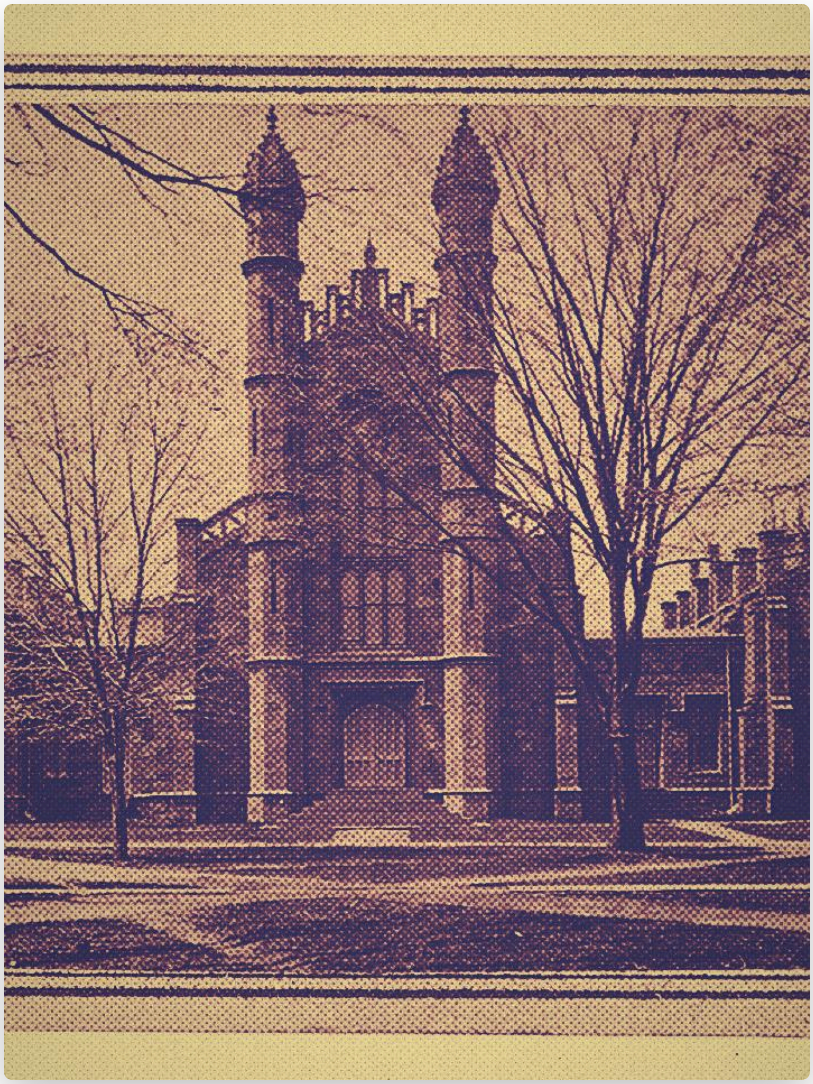
FORM S-1 · REGISTRATION STATEMENT

eCollege.com

IPO priced 1999-12-14 · $11.00 a share · ECLG



From S1 Directory · www.s1directory.com/s1/ecollege-com/ · Source: https://www.sec.gov/Archives/edgar/data/1085653/0000927356-99-000886.txt

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 13, 1999 REGISTRATION NO. 333- SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 ECOLLEGE.COM (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER) DELAWARE 7379 84-1351729 (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER) (I.R.S. EMPLOYER IDENTIFICATION NUMBER) 10200 A EAST GIRARD AVENUE DENVER, COLORADO 80231 (303) 873-7400 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) MR. ROBERT N. HELMICK PRESIDENT AND CHIEF EXECUTIVE OFFICER ECOLLEGE.COM 10200 A EAST GIRARD AVENUE DENVER, COLORADO 80231 (303) 873-7400 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

with copies to:

Richard R. Plumridge, Esq. John E. Hayes, III, Esq. Brobeck, Phleger & Harrison LLP 1125 Seventeenth Street, Suite 2525 Denver, Colorado 80202 (303) 293-0760	James C.T. Linfield, Esq. Michael L. Platt, Esq. Cooley Godward LLP 2595 Canyon Boulevard, Suite 250 Boulder, Colorado 80302 (303) 546-4000

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

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE 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, 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, PAR VALUE $0.01 PER SHARE.....	$57,500,000	$15,985

(1) ESTIMATED SOLELY FOR THE PURPOSE OF CALCULATING THE REGISTRATION FEE IN ACCORDANCE WITH RULE 457(O) UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

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, AS AMENDED, 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 CONTAINED IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE + +CHANGED. THE 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 AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE + +THE OFFER OR SALE IS NOT PERMITTED. + ++

SUBJECT TO COMPLETION, DATED MAY 13, 1999 SHARES COMMON STOCK

eCollege.com is offering shares of its common stock. This is our initial public offering. We intend to apply to have our common stock listed on the Nasdaq National Market under the symbol "ECLG." We estimate that the initial public offering price will be between $ and $.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 8.

	PER SHARE	TOTAL
Public Offering Price	$	$
Discounts and Commissions to Underwriters	$	$
Proceeds to eCollege.com	$	$

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

WE HAVE GRANTED THE UNDERWRITERS A 30-DAY OPTION TO PURCHASE UP TO AN ADDITIONAL SHARES OF COMMON STOCK TO COVER OVER-ALLOTMENTS.

NationsBanc Montgomery Securities LLC	Thomas Weisel Partners LLC

THE DATE OF THIS PROSPECTUS IS , 1999.

[PICTURE OF WOMAN WORKING ON A LAPTOP COMPUTER IN A TRAIN STATION]

[PICTURE OF REPRESENTATIVE COURSE HOME PAGE FROM STUDENT PERSPECTIVE DEPICTING INTERACTIVE SYLLABUS. TEXT APPEARING ABOVE PICTURE READS: "ECOLLEGE.COM IS ABOUT POSSIBILITIES. NOT MERELY THE POSSIBILITIES THAT ARISE IN THE WAKE OF CLASSROOMS WITHOUT WALLS, BUT THOSE WHICH OCCUR WHEN EDUCATORS COMMUNICATE WITH STUDENTS THROUGH A WHOLE NEW MEDIUM. AT ECOLLEGE.COM, OUR SOLE PURPOSE IS TO PROVIDE EDUCATORS AND STUDENTS WITH UNPARALLELED OPTIONS FOR LEARNING TO NOT ONLY EXTEND THE CLASSROOM, BUT TO ELEVATE ITS POTENTIAL." GRAPHIC ALSO INCLUDES CAPTION "TEACHING IN A WHOLE NEW WAY. BEYOND THE CHALK AND THE BOARD -- STUDENTS," TOGETHER WITH THE COMPANY'S LOGO.]

[PICTURE OF COURSE HOME PAGE FROM THE FACULTY PERSPECTIVE DEPICTING INTERACTIVE SYLLABUS FROM COURSE ENTITLED "TEACHING WITH ECOLLEGE.COM." TEXT BELOW THE PICTURE READS: "THINK OF THE INTERACTIVE SYLLABUS, LOCATED ON THE COURSE HOMEPAGE ABOVE, AS YOUR GUIDE TO THE UNLIMITED TECHNOLOGICAL POTENTIAL OF ECOLLEGE SYSTEM 3.0. PROVIDING IMMEDIATE ACCESS TO THE WIDE ARRAY OF MULTIMEDIA AND COMMUNICATION TOOLS THAT MAKE UP OUR COURSE DELIVERY SYSTEM, THE INTERACTIVE SYLLABUS ENSURES THAT EVERY COMPONENT OF YOUR ONLINE CLASSROOM IS JUST A "CLICK" AWAY." GRAPHIC ALSO INCLUDES CAPTION "TEACHING IN A WHOLE NEW WAY. BEYOND THE CHALK AND THE BOARD -- FACULTY," TOGETHER WITH THE COMPANY'S LOGO.]

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.

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Prospectus Summary

This summary highlights information contained elsewhere in this prospectus. You should read this entire prospectus carefully. Unless otherwise indicated, all information contained in this prospectus assumes that the underwriters will not exercise their over-allotment option. This prospectus contains forward- looking statements, which involve risks and uncertainties. eCollege.com's actual results could differ materially from those anticipated in these forward- looking statements as a result of certain factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. Unless otherwise indicated, all information contained in this prospectus reflects the conversion of our outstanding preferred stock into common stock, a seven-for-one split of our common stock and our reincorporation in Delaware on or before completion of this offering.

eCollege.com

eCollege.com, formerly Real Education, Inc., is a leading provider of a complete solution that enables colleges and universities to deliver an online campus and courses over the Internet. Our integrated software and services allow colleges and universities to outsource the creation, launch, management and support of a comprehensive online campus and courses. We typically create and deliver a complete online campus, including faculty and administration training, in 60 business days. We charge our customers an initial online campus and course development fee, an additional development fee for each incremental online course, and a per student fee for each enrollment in an online course. Our comprehensive solution allows colleges and universities to reach a large number of additional students and enables students to participate in courses at convenient times and from a variety of geographic locations. As of May 12, 1999, we had 80 contracts covering over 100 individual campuses. Student enrollments per year at these campuses are approximately 8.8 million. Since inception, our customers have purchased more than 1,500 online courses from us. During the Spring 1999 term, our customers had approximately 5,000 student enrollments in online courses provided by us.

The Internet's open architecture, universal accessibility and real-time interactive nature make it a natural platform for distance education. Accordingly, online learning has become one of the fastest growing segments of the education marketplace. International Data Corporation estimated that the number of Web users worldwide would exceed 95 million by the end of 1998 and will grow to over 320 million by the end of 2002. International Data Corporation also estimates that approximately 85% of

higher education institutions will offer distance learning courses by 2002 and that the number of students taking such courses will increase by more than 30% per year through 2002. Despite this projected growth, colleges and universities face several challenges in delivering high quality online courses. Effective online education requires that students receive a learning experience of comparable quality, content and student/faculty interaction to an on-campus education. We believe that many colleges and universities have found internally developed solutions to be time-consuming, expensive and difficult to implement. As a result, a growing number of colleges and universities are outsourcing the development and maintenance of their online campus and courses.

Our solution is designed to meet the online learning needs of colleges and universities and their students. The eCollege.com solution has the following key elements:

Comprehensive Services. We provide a comprehensive suite of services, including design, development, management and hosting of online campuses and courses, as well as ongoing customer support. Our online campus model replicates key services of a physical campus, including admissions, registration, bookstore, library, academic advising, career counseling, student union, bursar's office and financial aid services.

Rapid, Cost-Effective Development of Online Campuses. We can build an online campus for a college or university, typically within 60 business days. Our initial development fee of $30,000 includes the online campus and ten courses.

Easy Online Course Development. We work with faculty members to convert courses into effective Web presentations using an array of course design tools and support services. Our automated, user-friendly authoring tools enable faculty, with little or no programming experience, to easily develop and update their courses through a standard Web browser.

Easy to Use, Online Learning Environment. Our customized online campuses and courses are easy for students and faculty to use. Using a standard Web brower, students and faculty access the online campus and courses, which include easily navigable screens and rich multimedia content.

Standard, Scalable Technology. We integrate industry standard, open technology to provide a scalable and reliable delivery system.

We target more than 3,000 colleges and universities in the United States and Canada. We first began delivering courses in 1996 to the University of Colorado. In mid-1998, we significantly increased our sales force and have entered into more than 50 new contracts since then. Our management team and sales force have significant experience in the education industry, which we believe will continue to be a key factor in our ability to increase our customer base. Our current customers include: University of Colorado, Seton Hall University, Eastern Michigan University, University of Pennsylvania, Connecticut State University System, Keller Graduate School of Management, Rutgers University, The University of North Carolina at Greensboro, California State University--Hayward, University of Montana and The University of Wyoming. In addition, we have contracts with several providers of

continuing education and corporate training, including DeVry/Becker Educational Development Corp., Earth Tech, Inc., National Association of Realtors and Palmer Chiropractic University Foundation d/b/a Palmer Institute for Professional Advancement.

Our objective is to become the leading provider of outsourced online learning solutions for colleges and universities and for providers of continuing education and corporate training worldwide. The key elements of our growth strategy are:

Add Additional Colleges and Universities. Using a focused regional approach, our recently expanded sales force is now actively targeting more than 3,000 colleges and universities. We are also increasing our marketing efforts, including increased print and online media advertising and greater participation in trade shows and executive speaking engagements.

Increase Course Offerings and Enrollments with Existing Customers. Once we build an online campus, our customers can easily develop additional courses with minimal assistance and investment. In addition, we recently announced a $12 million grant and scholarship program designed to increase the number of degree courses offered online and the number of online students.

Further Develop Relationships with Existing Customers. We seek to build long-term relationships with colleges and universities and their faculties so that the online campus becomes an important extension of the college or university. We believe this will be a key factor in our ability to serve additional departments within the college or university.

Enter New Markets. We intend to further expand into the continuing education and corporate training markets and to pursue opportunities with international colleges and universities.

Our company was incorporated in Colorado on July 26, 1996. On or before completion of this offering, we will be reincorporated in Delaware as eCollege.com. Our principal executive offices are located at 10200 A East Girard Avenue, Denver, Colorado 80231. Our telephone number is (303) 873-7400. Our website is located at www.ecollege.com. Information contained on our website is not incorporated by reference into this prospectus and you should not consider such information a part of this prospectus.

eCollege and our logo are trademarks, and eCollege System, eCollege Campus and eCollege Course are service marks, of eCollege.com. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder.

The Offering

Common stock offered..... shares Common stock to be outstanding shares after this offering..... Use of proceeds..... To fund anticipated operating losses, to substantially increase promotional and marketing activities and for other general corporate purposes, including adding personnel to expand development and marketing capacities. A portion of the net proceeds may also be used for the acquisition of businesses, products, services or technologies that are complementary to those of eCollege.com. See "Use of Proceeds." Proposed Nasdaq National Market ECLG symbol.....

The common stock to be outstanding after this offering is based on shares outstanding as of April 30, 1999 and excludes 2,559,627 shares of common stock issuable upon the exercise of outstanding stock options and warrants at a weighted average exercise price of $1.41 per share. See "Capitalization" and Note 4 in the notes to financial statements.

Summary Financial Data The following table sets forth our summary financial data. You should read this information together with the financial statements and the notes to those statements beginning on page F-1 of this prospectus and the information under "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Please see Note 2 in the notes to financial statements for the method of computing pro forma basic and diluted net loss from continuing operations per share.

Period from July 26, 1996 (inception) through December 31, 1996	Year Ended December 31, 1997	Year Ended December 31, 1998	Three Months Ended March 31, 1998	Three Months Ended March 31, 1999
			(Unaudited)	
(in thousands, except share and per share data)				

Statement of Operations Data: Revenue: Campus and course de- velopment fees..... $ -- $ 628 $ 1,086 $ 155 $ 325 Student fees..... 22 400 579 93 286 Total revenue..... 22 1,028 1,665 248 611 Cost of revenue..... 110 528 2,065 236 1,188 Gross margin..... (88) 500 (400) 12 (577) Operating expenses: Selling and marketing.. 25 106 3,394 237 1,321 General and administra- tive..... 249 768 2,509 450 717 Development..... 60 212 1,099 108 633 Total operating ex- penses..... 334 1,086 7,002 795 2,671 Net loss from opera- tions..... (422) (586) (7,402) (783) (3,248) Other income (expense), net..... 18 (29) 112 30 120 Net loss from continuing operations..... $(404) $ (615) $ (7,290) $ (753) $ (3,128) Net loss from continuing operations applicable to common stockhold- ers..... $(404) $ (674) $ (7,993) $ (881) $ (3,743) Basic and diluted net loss from continuing operations per common share..... $ -- $ (0.11) $ (1.05) $ (0.12) $ (0.49) Weighted average common shares outstanding--ba- sic and diluted..... -- 6,161,946 7,612,045 7,444,549 7,674,345 Pro forma net loss from continuing operations per common share--basic and diluted (unau- dited)..... $ (0.68) $ (0.08) $ (0.23) Pro forma weighted aver- age common shares out- standing--pro forma ba- sic and diluted (unau- dited)..... 10,680,033 9,792,090 13,899,956 The following table is a summary of our balance sheet data. The pro forma column reflects the automatic conversion of our preferred stock into common stock upon the completion of this offering, and the pro forma as adjusted column also reflects our receipt of the estimated net proceeds of the shares of common stock we are selling in this offering at an assumed initial public offering price of per share, after deducting estimated underwriting discounts and expenses.

MARCH 31, 1999 PRO FORMA ACTUAL PRO FORMA AS ADJUSTED (UNAUDITED) (IN THOUSANDS)

BALANCE SHEET DATA:			
Cash and cash equivalents.....	$ 9,927	$ 9,927	$
Working capital	8,679	8,679	
Total assets.....	12,818	12,818	
Long-term notes payable.....	--	--	
Total liabilities.....	2,469	2,469	
Mandatorily redeemable, convertible pre-			

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 ferred stock.............................   22,515         --
Total stockholders' equity (deficit).....  (12,166)     10,349
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Risk Factors

You should consider carefully the risks described below before you decide to buy our common stock. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we do not presently know about or that we currently believe are immaterial may also adversely impact our business operations. If any of the following risks actually occur, our business, financial condition or results of operations would likely suffer. In such case, the trading price of our common stock could fall, and you may lose all or part of the money you paid to buy our common stock.

This prospectus contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are usually accompanied by words such as "believes," "anticipates," "plans," "expects" and similar expressions. Our actual results may differ materially from the results discussed in the forward-looking statements because of factors such as the Risk Factors discussed below.

We Have a Limited Operating History

We began offering our services in August 1996. Accordingly, we have a limited operating history from which you may evaluate our business and prospects. Our revenue growth to date may not be indicative of our future operating results. As an early stage company in the new and rapidly changing market for online education services, we face numerous risks and uncertainties. Some of these risks relate to our ability to:

. maintain and increase our college and university customer base;

. increase courses and enrollments at our customers' online campuses;

. implement an evolving and unproven business model;

. compete favorably in a highly competitive market;

. expand our service offerings;

. attract, motivate and retain qualified employees;

. access sufficient capital to support our growth;

. build an infrastructure to effectively handle our growth; and . upgrade and enhance our technologies.

We may not be successful in addressing these risks, and the failure to do so would have a material adverse effect on our business and financial results.

WE HAVE A HISTORY OF NET OPERATING LOSSES AND EXPECT NET OPERATING LOSSES AND NEGATIVE CASH FLOW FOR THE FORESEEABLE FUTURE We have experienced net losses from continuing operations each year since our inception in July 1996, including losses of $404,260 for the period from inception to December 31, 1996, and $614,797 and $7,289,847 for the years

ended December 31, 1997 and 1998, respectively, and $3,127,583 for the quarter ended March 31, 1999. We may not achieve profitability and if achieved, profitability may not be sustained. At March 31, 1999, we had an accumulated deficit of $12,779,696. We have invested heavily to develop our services and establish our development, sales and marketing capabilities. We believe that our success depends, among other things, on our ability to develop new relationships with colleges and universities and maintain existing customer relationships. Accordingly, we intend to continue to incur significant expenses for development and sales and marketing. As such, we expect to continue experiencing net operating losses and negative cash flow for the foreseeable future. To the extent our sales and marketing efforts do not significantly increase our revenues, our business and financial results will be materially and adversely affected.

Our Operating Results Are Likely to Fluctuate Significantly

Because of our limited operating history and the emerging nature of the online learning market, we may be unable to accurately forecast our revenues. The sales cycle for our solution varies widely and it is difficult for us to predict the timing of particular sales, the rate at which online courses will be implemented or the number of students who will enroll in the online courses. The cancellation or delay of even a small number of implementations could cause our revenues to fall short of projections. Since most of our costs are fixed and are based on anticipated revenue levels, small variations in the timing of revenue recognition could cause significant variations in operating results from quarter to quarter. Sales and operating results may fluctuate from quarter to quarter depending on:

. our ability to attract and retain colleges and universities;

. our ability to successfully implement online campuses;

. the number of online courses that our customers offer each term;

. the number of students who enroll in our customers' online courses each term;

. the amount and timing of operating costs and capital expenditures relating to expansion of our business;

. our introduction of new or enhanced services and products, and similar introductions by our competitors;

. the budgetary cycles of colleges and universities;

. the seasonality inherent in the academic calendar;

. our ability to upgrade and develop our systems and infrastructure;

. our ability to attract, motivate and retain personnel in a timely and effective manner;

. technical difficulties in delivering our services;

. governmental regulation; and . general economic conditions.

As a result, we believe that quarter-to-quarter comparisons of our sales and operating results are not necessarily meaningful, and that such comparisons may not be accurate indicators of future performance. Since we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall, any significant decrease in revenue would likely have an immediate material adverse effect on our business and financial results. In addition, if our future operating results are below the expectations of securities analysts or investors, our stock price may decline.

Our Business and Pricing Models Are Unproven

Our success depends on our ability to generate revenues by providing online learning solutions to colleges and universities. The viability and profitability of this model are unproven. To be successful, we must develop and market solutions that achieve broad market acceptance with both colleges and universities and their students. Online learning, in general, and our solutions, in particular, may not achieve broad market acceptance. In addition, our pricing model includes an initial campus and course development fee from colleges and universities, additional development fees for each incremental course we develop and a per student fee for each enrollment in an online course. Our contracts do not require customers to guarantee any minimum number of student enrollments or to commit to developing any courses beyond the initial courses covered by the contract. This pricing model may not be successful and it may not achieve or maintain revenue growth in the future. The failure of either our business model or our pricing model would have a material adverse affect on our business and financial results.

Our Sales Cycle Is Lengthy and Can Vary Widely

The sales cycle between initial customer contact and signing of a contract varies widely, reflecting differences in our customers' decision-making processes and budget cycles. Our customers typically conduct extensive and lengthy evaluations before committing to our system. Delays in the sales cycle can result from, among other things, changes in a college or university's budget, the need for approval from both the customer's administration and faculty, and the need to educate a college or university as to the potential applications of and cost savings associated with our services. We generally have little or no control over these factors, which may cause a potential customer to favor a competitor's solution, or to delay or forgo purchases altogether. As a result, we may not be able to forecast the timing and amount of specific sales and resulting revenue. The delay in or failure to complete planned transactions could have a material adverse effect on our business and financial results and could cause our financial results to vary significantly from period to period.

We provide a single service offering We currently derive most of our revenues from developing and delivering online campuses and courses for colleges and universities. We expect that revenues from these services will continue to account for a substantial portion of our revenues in future periods. Our dependence upon a single service makes us particularly vulnerable to successful introductions of

competing services. Our inability to generate sufficient sales and achieve market penetration of our service due to competitive factors, implementation difficulties or other reasons, would have a material adverse effect on our business and financial results.

We may have difficulty identifying and meeting the needs of colleges and universities We must accurately determine the features and functionality required by colleges and universities and design and implement services that meet those requirements in a timely and efficient manner. We may not be able to accurately determine customer requirements or deliver features and functions that will satisfy customer demands. Furthermore, even if we correctly identify our customers' requirements, we may not be able to design and implement services incorporating these features in a timely and efficient manner. Our failure to determine and address customer requirements in a timely and efficient manner would have a material adverse effect on our business and financial results.

Online learning may not be broadly accepted by academics and educators Some academics and educators are opposed to online learning in principle. They also have expressed concerns regarding the perceived loss of control over the education process that can result from the outsourcing of online campuses and courses. Some of these critics, particularly college and university professors, have the capacity to influence the market for our services, and their opposition could have a material adverse impact on our business and financial results. Further, the growth and development of the market for online learning may prompt calls from some within the academic community for more stringent protection of intellectual property associated with course content, which may impose additional burdens on companies offering online learning. The adoption of any additional laws or regulations may impair the growth of online learning, which could have a material adverse effect on our business and financial results.

The market for online learning in higher education is in an early stage of development The market for online learning is a new and emerging market. Although online learning solutions have been available for several years, they currently represent only a small portion of the overall higher education market. Accordingly, our success depends upon colleges and universities adopting online learning solutions. Although we have established relationships with some colleges and universities, these colleges and universities may not continue to use the online learning solutions we provide. Further, given their relatively early entry into the market for online learning, the colleges and universities with which we have established relationships are likely to be less risk-averse than most colleges and universities. Accordingly, the rate at which we have been able to establish relationships with colleges and universities in the past may not be indicative of the rate at which we will be able to establish relationships in the future. The use of online learning solutions may not become widespread and our services may not achieve commercial success. In addition, colleges and universities that have already invested substantial resources in other nontraditional methods of instruction may be reluctant to adopt new methods that compete with their existing offerings. Any failure of online learning to gain continuing market acceptance would have a material adverse effect on our business and financial results. Further, even if colleges and universities implement online learning solutions, they may still

choose to design, develop or manage all or a part of their system internally. The failure of colleges and universities to outsource the design, development or management of their online learning solutions to third parties would have a material adverse effect on our business and financial results.

We Operate in a Highly Competitive Market

Our most intense competition is with the information technology departments of the colleges and universities themselves, which may seek to develop online learning capabilities internally rather than using an outsourced provider. We also face significant competition from a variety of companies including: (1) other companies which seek to offer a complete solution including software and services, (2) software companies with specific products for the college and university market, (3) systems integrators and (4) hardware vendors. Finally, our business is dependent on students taking courses over the Internet, so we compete indirectly with the traditional classroom-based courses of our customers and their competitor schools. We may not be able to compete successfully against current and future competitors, and the competitive pressures we face could have a material adverse effect on our business and financial results. See "Business--Competition."

Our Market Is Characterized by Rapid Technological Change

The market for our software and services is characterized by rapid technological change, changes in customer demands and evolving industry standards. The introduction of services embodying new technologies and the emergence of new industry standards can render existing services obsolete and unmarketable. To succeed, we must address the increasingly sophisticated needs of higher education by improving our software and services to keep pace with technological developments, emerging industry standards and customer requirements. We may not be able to do so successfully.

GOVERNMENT REGULATIONS, INCLUDING THOSE RELATING TO THE INTERNET IN GENERAL AND TO OUR INDUSTRY IN PARTICULAR, COULD ADVERSELY AFFECT OUR BUSINESS We may be subject to certain government laws and regulations, such as the Family Educational Rights and Privacy Act. Our violation of these statutes, or of any other law or regulation, could have a material adverse effect on our business and financial results. In addition, there are an increasing number of laws and regulations pertaining to the Internet. These laws and regulations relate to liability for information received from or transmitted over the Internet, online content regulation, user privacy, taxation and quality of products and services. Moreover, the applicability to the Internet of existing laws governing intellectual property ownership and infringement, copyright, trademark, trade secret, obscenity, libel, employment, personal privacy and other issues is uncertain and developing. We cannot predict the impact, if any, that future regulation or regulatory changes may have on our business. In addition to laws and regulations of general application to the Internet, we may be subject to laws and regulations governing online providers of educational services. IMS, a coalition of corporate, academic and government organizations, was recently formed to develop technical standards for the online education industry. While we believe we are currently in compliance with the

standards and regulations pronounced by the IMS coalition, we may not continue to be in compliance with such standards in the future, and we may not be able to meet any certification standards the IMS coalition may establish. Many colleges and universities are accredited by regional accreditation organizations whose approval may be required for the college or university to offer courses over the Internet. Any delay in, or failure to receive, such approval could limit or prevent a college or university from using our solution, which would adversely affect our financial results.

We Are Highly Dependent on Government Funding of Higher Education

Most of the colleges and universities we serve and intend to serve in the future depend substantially on government funding. Thus, a decrease or delay in government funding of higher education may have a material adverse effect on our business and financial results.

Managing Our Growth Effectively May Be Difficult

We are currently experiencing a period of significant expansion. Our growth has placed, and any further growth is likely to continue to place, a significant strain on our managerial, operational, financial and other resources. We have grown from 17 employees as of July 31, 1996 to 197 employees as of March 31, 1999. Our success will depend, in part, upon our ability to effectively manage any future growth. This will require us to implement additional management information systems, to further develop our operating, administrative, financial and accounting systems and controls and to maintain close coordination among our technology development, accounting, finance, marketing, sales, and customer service and support departments. Our failure to successfully manage growth and to develop financial controls and accounting and reporting systems or to add and retain personnel that adequately support our growth would have a material adverse effect on our business and financial results.

We Must Expand Our Customer Service and Support Department

As we increase the number of colleges and universities we serve, we will require greater numbers of highly trained development personnel and account service representatives to ensure rapid and successful implementation of our solution. As of March 31, 1999, we had 79 individuals in this department servicing our customers. We may not be able to increase the size of our customer service and support department on a timely basis, or at all, and we may not be able to provide the high level of support required by our customers, especially during the initial implementation and development of our services. Our failure to do so would have a material adverse effect on our business and financial results.

Our Network Infrastructure and Computer Systems May Fail

The continuing and uninterrupted performance of our network infrastructure and computer systems is critical to our success. Any system failure that causes interruptions in our ability to provide service to our customers or their students could reduce customer satisfaction and, if sustained or repeated, would reduce the attractiveness of our solution to higher education providers or their students. An increase in the number of online campuses delivered through our servers could strain the capacity of our software or hardware, which could lead to slower response times or system failures. To the extent we do not successfully address any capacity constraints, such constraints would have a material adverse effect on our business and financial results.

Our operations are dependent upon our ability to protect our computer systems against damage from fire, power loss, telecommunications failures, vandalism and other malicious acts, and similar unexpected adverse events. In addition, the failure of our telecommunications and network backbone provider to provide the data communications capacity and network infrastructure in the time frame we require could cause service interruptions or slower response times. Despite precautions we have taken, unanticipated problems affecting our systems have from time to time in the past caused, and in the future could cause, interruptions or delays in the delivery of our solutions. Any damage or failure that interrupts or delays our operations could have a material adverse effect on our business and financial results.

Our Network May Be Vulnerable to Security Risks

Our success depends on our ability to provide superior network security protection and the confidence of our customers in that ability. We have located our servers in commercial server farms that are designed to prevent unauthorized access from the Internet. Still, we may not be able to prevent unauthorized disruptions, whether caused unintentionally or by computer "hackers," of our network operations. These disruptions may result in liability to us and harm to our customers, and our failure to prevent such disruptions would have a material adverse effect on our business and financial results.

Our Success Depends on Maintenance and Continued Development of the Web Infrastructure

Our success depends, in large part, upon the maintenance of the Web infrastructure as a reliable network backbone with the necessary speed, data capacity and security, and timely development of enabling products such as high speed modems, for providing reliable Web access and services as well as improved content. We depend on a single company to maintain the operational integrity of our network backbone. Increases in the number of users, frequency of use or bandwidth requirements may strain the Web infrastructure and degrade the performance and reliability of the Web. Furthermore, the Web has experienced a variety of outages and delays as a result of damage to portions of its infrastructure, and any future outages or delays could adversely affect our online campuses. In addition,

delays in the development or adoption of new standards and protocols (such as the next- generation Internet protocol) that are designed to handle increased levels of activity, could reduce the viability of the Web. The infrastructure or complementary products or services necessary to maintain and enhance the Web as a commercial medium may never be developed. If the necessary infrastructure, standards or protocols or complementary products, services, or facilities are not developed, or if the Web does not continue to develop as a viable commercial medium, our business and financial results would be materially and adversely affected. Even if such infrastructure, standards or protocols or complementary products, services or facilities are developed, we may be required to incur substantial expenditures in order to adapt our services to changing or emerging technologies, which could have a material adverse effect on our business and financial results. Moreover, critical issues concerning the commercial use and government regulation of the Internet (including security, cost, ease of use and access, intellectual property ownership and other legal liability issues) remain unresolved and could materially and adversely impact the growth of the Internet and our business and financial results.

We depend on our key personnel and we may have difficulty attracting and retaining skilled employees Our success depends on the continued service of our key management personnel, particularly our Chief Executive Officer. We do not carry life insurance policies on most of our key management personnel. The loss of services from one or more of these persons would have a material adverse effect on our business and financial results. Our success also depends on our ability to attract, motivate and retain highly-skilled managerial, sales and marketing, customer service and support and technology development personnel. Competition for such personnel in our industry is intense. We may not be able to retain our key employees or attract, motivate and retain additional key employees in the future. Our failure to retain these key employees would have a material adverse effect on our business and financial results.

We may expand internationally and become subject to risks of international operations We may expand our business internationally. In doing so, we would become subject to the risks of conducting business internationally, including:

. unexpected changes in regulatory requirements (including the regulation of Internet access);

. uncertainty regarding liability for information retrieved and replicated in foreign countries;

. foreign currency fluctuations, which could result in reduced revenues and increased operating expenses;

. tariffs and trade barriers;

. potentially longer payment cycles;

. difficulty in collecting accounts receivable;

. foreign taxes; and

. the burdens of complying with a variety of foreign laws and trade standards.

We would also be subject to general geopolitical risks, such as political and economic instability and changes in diplomatic and trade relationships, in connection with our proposed international operations. The risks associated with our proposed international operations could materially and adversely effect our business and financial results.

We Must Protect Our Intellectual Property and Proprietary Rights

Our success depends, in part, on our ability to protect our proprietary rights and technology. We rely on a combination of copyrights, trademarks, trade secret laws, employee and third-party nondisclosure agreements and other methods to protect our proprietary rights. Despite our efforts to protect these rights, unauthorized parties may attempt to duplicate or copy aspects of our services or software or to obtain and use information that we regard as proprietary. Policing unauthorized use of the software underlying our services is difficult, and while we are unable to determine the extent to which piracy of our software exists, software piracy in general will likely be a persistent problem. In addition, the laws of many countries do not protect our proprietary rights to as great an extent as do the laws of the United States. As a consequence, effective trademark, service mark, copyright, and trade secret protection may not be available in every country in which our products and services are made available online. Our proprietary rights and technology may not be adequate, and our competitors could independently develop similar rights and technology. Our failure to meaningfully protect our intellectual property could have a material adverse effect on our business and financial results.

We may from time to time encounter disputes over rights and obligations concerning intellectual property. Although we believe that our intellectual property rights are sufficient to allow us to market our existing services without incurring liability to third parties, and we are not aware of any disputes with third parties relating to competing intellectual property rights, we might not prevail in such disputes. Failure to prevail in one or more such disputes could impair our right to market our services, which, in turn, could have a material adverse effect on our business and financial results.

To date, we have not been notified that our services infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim that our current or future services are infringing their proprietary rights.

We Must Monitor and Protect Our Internet Domain

We currently hold various Internet domain names. Third parties may acquire substantially similar or conceptually similar domain names that decrease the value of our domain name and trademarks and other proprietary rights which may hurt our business. Domain names generally are regulated by Internet 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. The

relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. As a result, we may not acquire or maintain exclusive rights to our domain name in the United States or in other countries in which we conduct business.

We Face Risk from Potential Year 2000 Problems

The Year 2000 issue is concerned with whether computer systems will properly recognize date-sensitive information when the year changes to 2000. The issue arose because many computer programs were written using two digits rather than four to represent the applicable year. Any computer programs or hardware that have date-sensitive software or embedded chips may interpret a date ending in "00" as the year 1900 instead of the year 2000. In addition, the year 2000 is a leap year, which may not be recognized accurately. In addition to our internally developed software, we use software and hardware developed by third parties for both our network and internal information systems. An incorrect date could result in failures of our systems or miscalculations causing disruptions to our operations, including, among other things, an inability to connect to the Internet, process transactions, send invoices or otherwise engage in normal business activities. We are also subject to the risk of failure of third-party providers to be Year 2000 compliant, in particular those third-party providers that provide local access and long distance service. We rely on third party network infrastructure providers to gain access to the Internet. If such providers experience business interruptions as a result of their failure to achieve Year 2000 compliance, our ability to provide Internet connectivity could be impaired. In addition, we provide a warranty to our customers regarding the Year 2000 compliance of our system, including our software and the interfaces necessary to deliver courses over the Internet. If we were to breach this representation, our customers would have the right to terminate their contracts with us upon 30 days notice. Our inability to timely correct, or to correct at all, a Year 2000 problem, would result in a material adverse effect on our business and financial results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Year 2000 Issues."

We May Make Acquisitions or Investments

From time to time we have had discussions with companies regarding our acquiring, or investing in, their businesses. If we buy a company, we could have difficulty in assimilating its operations, or assimilating and retaining its key personnel. These difficulties could disrupt our ongoing business and distract our management and employees. Also, acquisitions may result in a variety of accounting charges which would increase our reported expenses, including amortization of goodwill and the write off of acquired in-process research and development. Furthermore, we may incur debt or issue dilutive equity securities to pay for any future acquisitions or investments. As a result, any future business acquisitions or investments could have a material adverse effect on our business and financial results.

We May Need Additional Capital in the Future

We may need to raise additional funds in the future to fund our operations, to finance the substantial investments in equipment and corporate infrastructure we will need for our planned expansion, to enhance and/or expand the range of services we offer or to respond to competitive pressures and/or perceived opportunities, such as investment, acquisition and international expansion activities. Additional financing may not be available on terms favorable to us, or at all. If adequate funds are not available when required or on acceptable terms, our business and financial results could suffer.

YOU WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION IN THE BOOK VALUE OF YOUR INVESTMENT

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   Purchasers of common stock in this offering will incur immediate and
substantial dilution of $   in the pro forma net tangible book value per share
of common stock from the initial public offering price of $   per share. To the
extent outstanding options and warrants to purchase common stock are exercised,
there will be further dilution to investors.
```

We Do Not Plan to Pay Cash Dividends in the Foreseeable Future

We intend to retain our future earnings, if any, to finance the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

AFTER THIS OFFERING, OUR EXECUTIVE OFFICERS, DIRECTORS AND 5% OR GREATER STOCKHOLDERS WILL STILL CONTROL ALL MATTERS REQUIRING A STOCKHOLDER VOTE Currently, our existing officers, directors and 5% or greater stockholders (and their affiliates), in the aggregate, beneficially own approximately 78% of our outstanding capital stock. Upon consummation of this offering, this group will continue to own a majority of our outstanding capital stock. As a result, such persons, acting together, will have the ability to control the vote on all matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control.

FUTURE SALES BY OUR EXISTING STOCKHOLDERS COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK 9,010,764 shares of our common stock are eligible for resale after this offering immediately upon the expiration of 180-day lock-up agreements, subject in many cases to the volume limitations and other restrictions of Rule 144 under the Securities Act. Sales of our common stock in the public market following this offering could adversely affect the market price of the common stock. See "Shares Eligible for Future Sale."

THERE HAS BEEN NO PRIOR MARKET FOR OUR STOCK, AND OUR STOCK PRICE IS LIKELY TO BE HIGHLY VOLATILE Prior to this offering, there has been no public market for our common stock. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market in our stock or how liquid that market might become. The initial public offering

price for the shares will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in any future trading market. The stock market has experienced extreme price and volume fluctuations. The market prices of the securities of Internet-related companies have been especially volatile. In the past, companies that have experienced volatility in the market price of their stock have been the object of securities class action litigation. If we were the object of securities class action litigation, it could result in substantial costs and a diversion of our management's attention and resources.

OUR ANTI-TAKEOVER PROVISIONS COULD PREVENT A THIRD PARTY FROM ACQUIRING YOUR SHARES AT A PREMIUM TO THE MARKET PRICE Various provisions of our certificate of incorporation, bylaws and Delaware law could make it more difficult for a third party to acquire us, even if doing so might be beneficial to you and our other stockholders.

Use of Proceeds

```
   The net proceeds we will receive from the sale of the    shares of common
stock offered hereby are estimated to be $    ($    if the underwriters' over-
allotment option is exercised in full), after deducting the estimated
underwriting discount and offering expenses and assuming an initial public
offering price of $    per share.
```

We intend to use the net proceeds from this offering to fund anticipated operating losses, to substantially increase our promotional and marketing activities, and for other general corporate purposes, including adding personnel to expand our development and marketing capacities. A portion of the net proceeds may also be used for the acquisition of businesses, products, services or technologies that are complementary to those of eCollege.com. We have not yet determined the amount of net proceeds to be used specifically for each of the foregoing purposes. Accordingly, management will have significant flexibility in applying the net proceeds of this offering. Pending these uses, we intend to invest the net proceeds from this offering in short term, investment grade, interest-bearing securities.

Dividend Policy

We have not declared or paid any cash dividends on our capital stock since inception and we do not expect to pay any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business.

Capitalization

The following table sets forth our capitalization as of March 31, 1999:

. On an actual basis;

. On a pro forma basis to reflect the automatic conversion of all outstanding shares of Series A, B and C mandatorily redeemable, convertible preferred stock into 6,225,611 shares of common stock upon the completion of this offering and the effectiveness of our reincorporation in Delaware; and

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. On a pro forma as adjusted basis to reflect to the sale of    shares
  common stock offered hereby, at an assumed initial public offering price
  of $    per share (after deducting the estimated underwriting discounts
  and commissions and offering expenses) and the application of the net
  proceeds therefrom.
```

This table should be read together with the financial statements and notes to those statements appearing elsewhere in this prospectus.

March 31, 1999 Pro Pro Forma Actual Forma As Adjusted (Unaudited) (in thousands, except share data) Mandatorily redeemable convertible preferred stock: Series A, mandatorily redeemable, convertible preferred stock, no par value; 132,000 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted..... $ 1,164 Series B, mandatorily redeemable, convertible preferred stock, no par value, 326,833 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted..... 6,686 Series C, mandatorily redeemable, convertible preferred stock, no par value, 430,540 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted..... 14,665 Stockholders' equity: Preferred stock, no shares authorized, issued or outstanding, actual; $0.01 par value, 5,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted..... Common stock, no par value, 50,000,000 shares authorized; 7,686,000 shares issued and outstanding, actual; $.01 par value 13,911,611 shares issued and outstanding, pro forma; and $.01 par value, shares issued and outstanding, pro forma as adjusted..... 469 $22,984 Additional paid-in capital..... -- -- Notes receivable..... (341) (341) Warrants and stock options..... 2,336 2,336 Deferred compensation..... (1,850) (1,850) Accumulated deficit..... (12,780) (12,780) Total stockholders' equity..... (12,166) 10,349 Total capitalization..... $10,349 $10,349 The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of March 31, 1999. We are permitted, and in some cases obligated, to issue shares of common stock in addition to the common stock to be outstanding after this offering. The following is a summary of these additional shares of common stock:

. 1,492,750 shares that could be issued upon the exercise of options outstanding as of March 31, 1999 at a weighted average exercise price of $1.38 per share;

. 1,029,777 shares that could be issued upon exercise of outstanding warrants as of March 31, 1999 at a weighted average exercise price of $1.34 per share; and . shares that can be issued to our employees who elect to buy stock in the future under our employee stock purchase plan.

Dilution

Our pro forma net tangible book value as of March 31, 1999 was $10,348,719, or approximately $0.74 per share. Pro forma net tangible book value represents the amount of tangible assets less total liabilities, divided by the number of shares of common stock outstanding, assuming conversion of all outstanding shares of preferred stock into common stock. Without taking into account any other changes in the net tangible book value after March 31, 1999, other than the sale of the shares offered hereby at an assumed offering price of $ per share, our pro forma net tangible book value as of March 31, 1999 would have been $, or $ per share. The pro forma net tangible book value assumes that the proceeds to us, net of offering expenses and underwriting discount, will be approximately $. This represents an immediate increase in net tangible book value to existing stockholders attributable to new investors of $ per share and the immediate dilution of $ per share to new investors. The following table illustrates this per share dilution:

```
Assumed initial public offering price per share.....       $
 Pro forma book value per share before this offering..... $0.74
 Increase per share attributable to new investors.....
Pro forma net tangible book value per share after this offering.....
Dilution per share to new investors.....       $
```

The following table sets forth, on a pro forma basis as of March 31, 1999, the differences between existing stockholders and the new investors with respect to (1) the number of shares of common stock purchased from us, (2) the total consideration paid to us and (3) the average price paid per share by existing stockholders and by the new investors purchasing shares of common stock in this offering, at an assumed initial public offering price of $ per share. Underwriting discounts, commissions and other estimated offering expenses have not been deducted.

Shares Purchased Total Consideration ---------- ---------- Average Price Number Percent Amount Percent Per Share

```
Existing stockholders..... 13,911,611      %  $22,498,750      %      $1.62
New investors.....
  Total.....               100%               100%      $
```

The foregoing discussion and tables assume no exercise of the underwriters' over-allotment option or of any outstanding stock options or warrants after March 31, 1999.

As of March 31, 1999, there were options outstanding to purchase 1,492,750 shares of common stock at a weighted average exercise price of $1.38 per share, warrants outstanding to purchase 1,029,777 shares of common stock at a weighted average exercise price of $1.34 per share, and 1,183,850 additional shares reserved for future grants under our stock option plans. To the extent that any of these options are exercised, there will be further dilution to new investors.

Selected Financial Data

The data should be read in conjunction with the financial statements and the notes to such statements and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. The selected financial data as of December 31, 1997 and 1998, for the period from July 26, 1996 (inception) through December 31, 1996 and for the years ended December 31, 1997 and 1998, are derived from our audited financial statements included elsewhere in this prospectus. The balance sheet data as of December 31, 1996 is derived from audited financial statements not included elsewhere in this prospectus. The selected financial data at March 31, 1999 and for the three months ended March 31, 1998 and 1999 are derived from unaudited financial statements included elsewhere in this prospectus. The unaudited financial statements include all adjustments, consisting only of normal recurring adjustments which we consider necessary for the fair presentation of our financial position and results of operations for these periods. Operating results for the three months ended March 31, 1999 are not necessarily indicative of the results that we will experience for the entire year. Historical results are not necessarily indications of the results to be expected in the future. Please see Note 2 in the notes to financial statements for the method of computing pro forma basic and diluted net loss from continuing operations per share.

Period from July 26, 1996 (inception) Year Ended December Three Months Ended through 31, March 31, December 31, ---------- ---------- 1996 1997 1998 1998 1999 (Unaudited) (In thousands, except share and per share data) Statement of Operations Data: Revenue: Campus and course development fees..... $ -- $ 628 $ 1,086 $ 155 $ 325 Student fees..... 22 400 579 93 286 Total revenue..... 22 1,028 1,665 248 611 Cost of revenue..... 110 528 2,065 236 1,188 Gross margin..... (88) 500 (400) 12 (577) Operating expenses: Selling and marketing.. 25 106 3,394 237 1,321 General and administrative..... 249 768 2,509 450 717 Development..... 60 212 1,099 108 633 Total operating expenses..... 334 1,086 7,002 795 2,671 Net loss from operations..... (422) (586) (7,402) (783) (3,248) Other income (expense), net..... 18 (29) 112 30 120 Net loss from continuing operations..... $(404) $ (615) $ (7,290) $ (753) $ (3,128) Net loss from continuing operations applicable to common stockholders..... $(404) $ (674) $ (7,993) $ (881) $ (3,743) Basic and diluted net loss from continuing operations per common share..... $ -- $ (0.11) $ (1.05) $ (0.12) $ (0.49) Weighted average common shares outstanding-- basic and diluted..... -- 6,161,946 7,612,045 7,444,549 7,674,345 Pro forma net loss from continuing operations per common share-- basic and diluted (unaudited)..... $ (0.68) $ (0.08) $ (0.23) Pro forma weighted average common shares outstanding--pro forma basic and diluted (unaudited)..... 10,680,033 9,792,090 13,899,956 The following table is a summary of our balance sheet data. The pro forma column reflects the automatic conversion of our preferred stock into common stock, upon completion of this offering, and the pro forma as adjusted column also reflects our receipt of the estimated net proceeds of the shares of common stock we are selling in this offering at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and expenses.

DECEMBER 31,			MARCH 31, 1999		
					PRO FORMA
1996	1997	1998	ACTUAL	PRO FORMA	AS ADJUSTED

(UNAUDITED) (IN THOUSANDS) BALANCE SHEET DATA: Cash and cash equiva- lents..... $ 20 $ 208 $11,661 $ 9,927 $9,927 $ Working capital..... (657) 58 9,577 8,679 8,679 Total assets..... 269 748 13,660 12,818 12,818 Long-term notes payable to related parties..... -- 231 -- -- -- Total liabilities..... 703 621 2,549 2,469 2,469 Mandatorily redeemable, convertible preferred stock..... -- 1,029 19,650 22,515 -- Total stockholders' eq- uity (deficit)..... (434) (902) (8,539) (12,166) 10,349

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

You should read the following discussion and analysis in conjunction with "Selected Financial Data" and the financial statements and notes attached to those statements included elsewhere in this prospectus. This discussion contains certain forward-looking statements that involve risks and uncertainties. Please see "Risk Factors" elsewhere in this prospectus.

Overview We are a leading provider of a complete solution that enables colleges and universities to deliver an online campus and courses over the Internet. Our integrated software and services allow colleges and universities to outsource the creation, launch, management and support of a comprehensive online campus and courses. We typically create and deliver a complete online campus, including faculty and administration training, in 60 business days. We charge our customers an initial online campus and course development fee, an additional development fee for each incremental online course, and a per student fee for each enrollment in an online course. Our comprehensive solution allows colleges and universities to reach a large number of additional students and enables students to participate in courses at convenient times and from a variety of geographic locations. As of May 12, 1999, we had 80 contracts covering over 100 individual campuses. Student enrollments per year at these campuses are approximately 8.8 million. Since inception, our customers have purchased more than 1,500 online courses from us. During the Spring 1999 term, our customers had approximately 5,000 student enrollments in online courses provided by us.

In 1996, we acquired Brecknet Internet Services, an Internet service provider doing business as ColoradoNet, for cash of $80,000 and a note payable of $129,000. In May 1997, we sold ColoradoNet to a third party due to our determination that the Internet service provider business did not complement our primary business focus of Internet education. The business of ColoradoNet has been treated as a discontinued operation. Please see the notes to our financial statements.

Revenue We currently generate revenue from two sources:

. An initial development fee to build an online campus and a specified number of courses, as well as incremental fees to build additional courses; and . Per student fees for each enrollment in an online course.

We typically enter into multi-year contracts with colleges and universities to provide online learning solutions. These contracts specify the initial number of courses purchased as well as the price for additional courses. Our contracts do not require customers to guarantee any minimum number of student enrollments or to commit to developing any courses beyond the initial courses covered by the contract. The initial fee is fixed, covering development of the online campus as well as the initial number of courses. We recognize our initial fee as the online campus design services and course design services are performed. Subsequent incremental fees for additional courses are recognized as the design services are performed. Student fees are recognized ratably over the duration of the course.

Our business model is based upon a number of factors, including increasing acceptance of online learning among colleges and universities, adding new customers, developing additional courses for our existing customers and increasing student enrollment in online courses. Through March 31, 1999, the majority of our revenue has been generated by fees for building campuses and courses, and, to a lesser extent, per student fees. We expect that both revenue streams will continue to grow, but that the per student fees will become larger than the development fees as the number of courses offered by our customers and the numbers of students in those courses continue to increase.

Cost of Revenue

Our cost of revenue consists primarily of employee compensation and benefits for development, course design, account management and technical personnel. We also allocate a portion of our occupancy and infrastructure costs to cost of revenue. To continue to execute our business plan, we intend to expand our operations, including our marketing, technical, operational and customer support resources.

Selling and Marketing The principal components of our selling and marketing expenses are employee compensation and benefits, advertising and travel. Other significant components include marketing collateral expenses, consulting fees and depreciation.

General and Administrative The principal component of our general and administrative expenses is employee compensation and benefits. Other components include facilities, depreciation, communications, professional and consulting fees and deferred compensation.

Development

Development expenses consist primarily of employee compensation and related benefits for development personnel and related depreciation, occupancy costs and consulting fees.

Results of Continuing Operations We have incurred significant losses since our inception, resulting in an accumulated deficit of $9,036,572 as of December 31, 1998, and $12,779,696 as of March 31, 1999. We intend to continue to make investments in technology, which may involve the development, acquisition or licensing of technologies that complement or augment our existing services and technologies. We also intend to continue to invest heavily in marketing activities. Accordingly, we expect to incur significant operating losses for the foreseeable future.

We experience fluctuations in our quarterly results due to the seasonality inherent in the academic calendar and due to the relatively fixed nature of our operating expenses.

In view of the rapidly evolving nature of our business and our limited operating history, we believe that our revenue and other operating results should not be relied upon as indications of future performance.

Three Months Ended March 31, 1999 and 1998 Revenue. Revenue increased to $610,957 for the three months ended March 31, 1999 from $248,514 for the three months ended March 31, 1998. Increases in revenue are due to an increased number of online campuses and courses developed, as well as increased student enrollment in online courses. Campus and course development fees represented 53% and 62% of total revenue for the three months ended March 31, 1999 and 1998, respectively. Student fees represented 47% and 38% of total revenue, respectively, for these same periods.

Cost of Revenue. Cost of revenue increased to $1,187,599 for the three months ended March 31, 1999 from $236,236 for the three months ended March 31, 1998. Our cost of revenue increased primarily due to increased personnel costs, depreciation expense and sales commissions. These costs were approximately 194% and 95% of total revenue for the three months ended March 31, 1999 and 1998, respectively. Our operations and account management personnel increased to 79 as of March 31, 1999 from 29 as of March 31, 1998.

Selling and Marketing. Selling and marketing expenses increased to $1,320,551 for the three months ended March 31, 1999 from $237,299 for the three months ended March 31, 1998. The increase was primarily due to increases in the number of selling and marketing personnel and increases in compensation and travel expense. Our selling and marketing personnel increased to 53 as of March 31, 1999 from 12 as of March 31, 1998. The increase in selling and marketing expenses also reflects an increase in advertising to $281,114 for the three months ended March 31, 1999 from $41,207 for the three months ended March 31, 1998.

General and Administrative. General and administrative expenses increased to $716,784 for the three months ended March 31, 1999 from $450,240 for the three months ended March 31, 1998. The increase was primarily due to an increase in the number of general and administrative personnel to 28 as of March 31, 1999 from 13 as of March 31, 1998. In addition, outside consulting, professional fees, recruiting fees and travel expenses increased, reflecting our expanded business activities.

Through March 31, 1999, we recorded aggregate deferred compensation totaling approximately $2.4 million in connection with the grant of certain options to employees. During the first quarter of 1999, we recorded aggregate deferred compensation in the amount of approximately $946,000 and in April 1999, we recorded an additional $400,000 of such deferred compensation. The deferred charge is being amortized over the vesting period of such options, which ranges from 2 to 5 years. Of the total deferred compensation, approximately $17,000, $18,000, $27,000 and $137,000 were amortized in the quarters ended March 31, June 30, September 30 and December 31, 1998, respectively, and approximately $103,000 was amortized in the first quarter of 1999. We expect approximate per quarter amortization in future years related to deferred compensation to be as follows:

QUARTERS IN THE YEAR ENDED DECEMBER 31, AMOUNT

1999	$105,000 -- $160,000
2000	$130,000 -- $140,000

2001	$130,000
2002	$120,000
2003	$ 90,000 -- $120,000
2004	$ 0 -- $ 50,000

Development. Development expenses increased to $633,502 for the three months ended March 31, 1999 from $107,404 for the three months ended March 31, 1998. The increase was primarily due to an increase in the number of development personnel to 37 as of March 31, 1999 from 9 as of March 31, 1998.

Other Income (Expense). Other income (expense), which consists primarily of interest earnings on our cash and cash equivalents, increased to $119,896 for the three months ended March 31, 1999 from $29,920 for the three months ended March 31, 1998, primarily due to the completion of a private placement of equity securities in December 1998, which provided net proceeds of $11,938,955.

Years Ended December 31, 1998, 1997 and 1996

Revenue .Revenue increased to $1,665,069 for 1998 from $1,028,180 for 1997 and $22,464 for 1996. Increases in revenue are due to an increased number of online campuses and courses developed, as well as increased student enrollment in online courses. Campus and course development fees represented 65%, 61% and 0% of 1998, 1997 and 1996 total revenue, respectively. Per student fees represented 35%, 39% and 100%, respectively, of total revenue. We expect that per student fees will account for a greater percentage of total revenue in the future.

Cost of Revenue. Since 1996, the growth in the number of online campuses and courses has resulted in increased cost of revenue. Cost of revenue increased to $2,064,909 for 1998 from $528,090 for 1997 and $109,974 for 1996. Our cost of revenue increased in 1998 and 1997 primarily due to increased personnel costs, depreciation expense and sales commissions. Our operations and account management personnel increased to 65 from 21 and from 5 at December 31, 1998, 1997 and 1996, respectively. During 1998, cost of revenue was approximately 124% of total revenue. We have made investments in people and technology that will support higher revenue than our historical levels, which has resulted in a cost of revenue that exceeds current revenue. Since most of our costs are fixed and based on anticipated revenue levels, we believe our revenue will exceed our cost of revenue in the future.

Selling and Marketing. Selling and marketing expenses increased to $3,394,000 for 1998 from $106,026 for 1997 and $25,474 for 1996. The increases in 1998 and 1997 were primarily due to increases in the number of sales and marketing personnel, which numbered 42, 5 and 0 at December 31, 1998, 1997 and 1996, respectively. In addition, we increased advertising expenditures to $1,096,843 for 1998 from $18,000 for 1997.

General and Administrative. General and administrative expenses increased to $2,509,496 for 1998 from $767,812 for 1997 and $248,884 for 1996. The increases in 1998 and 1997 were primarily due to increases in the number of general and administrative personnel, which numbered 19, 7 and 6 at

December 31, 1998, 1997 and 1996, respectively. In addition, outside consulting and professional fees, recruiting fees and travel expenses increased, reflecting our expanded business activities.

During 1998, we recorded aggregate deferred compensation in the amount of approximately $1.4 million in connection with the grant of certain stock options during this period. Amortization of deferred compensation totaled approximately $200,000 during this period. No such deferred compensation was recorded prior to January 1, 1998.

Development. Development expenses increased to $1,099,000 for 1998 from $212,052 for 1997 and $60,207 for 1996. The increases in 1998 and 1997 were primarily due to ongoing development and improvement of our current online learning solutions, as well as increases in the number of development personnel, which numbered 28, 8 and 2 at December 31, 1998, 1997 and 1996, respectively.

Other Income (Expense). Other income, which is comprised primarily of interest earnings on our cash and cash equivalents, was $149,308 for 1998, $8,993 for 1997 and $27,001 for 1996. We completed private placements of equity securities in June 1997, February 1998 and December 1998, which provided net proceeds of $970,150, $5,978,000 and $11,938,955, respectively. Interest expense from notes payable and a bridge loan was $36,819 in 1998, $37,990 in 1997 and $9,186 in 1996. The notes payable and the bridge loan were repaid in 1998.

Income Taxes

Income taxes will consist of federal, state and local taxes, when applicable. We expect significant net losses for the forseeable future that should generate net operating loss carryforwards. However, utilization of such prospective net operating loss carryforwards may be subject to certain limitations. In addition, income taxes may be payable during this time due to operating income in certain tax jurisdictions. If we achieve operating profits and the net operating loss carryforwards have been exhausted or have expired, we may experience significant tax expense. We have recorded no provision or benefit for federal and state income taxes because we incurred net operating losses from inception through December 31, 1998. As of December 31, 1998 we had approximately $7,800,000 of federal and state operating net operating loss carryforwards available to offset future taxable income which expire in varying amounts beginning in 2011. We have established a valuation allowance against the entire amount of our deferred tax asset because our management has not been able to conclude that it is more likely than not that we will be able to realize the deferred tax asset, due primarily to our history of operating losses.

Liquidity and Capital Resources

Our cash and cash equivalents increased from $208,346 at December 31, 1997 to $11,661,186 at December 31, 1998. This net change occurred primarily because we raised $18,750,020 in proceeds from the sale of equity securities and incurred a net loss of $7,289,847 during 1998.

Our investment in property and equipment during 1998 was $1,663,128. Installation of network infrastructure equipment, equipment for new employees and leasehold improvements related to expansions accounted for most of our capital expenditures in 1998. We intend to continue to make investments in property and equipment, although we have no formal commitments to do so.

We have financed the majority of our operations through the issuance of equity securities. We have sold common stock and preferred stock generating aggregate proceeds of $19,764,686 from inception through December 31, 1998.

We believe that the net proceeds from the sale of common stock offered hereby, together with our current cash, cash equivalents and short-term investment balances and cash generated from operations, will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months. Our operating and investing activities may require us to obtain additional equity or debt financing. In addition, although there are no present understandings, commitments or agreements with respect to any acquisition of other businesses, products and technologies to consummate potential acquisitions, we may need additional equity or debt financing in the future. Without regard to this offering, management believes that cash on hand and other sources of liquidity at March 31, 1999 are sufficient to fund the Company's operations through at least March 31, 2000, albeit at significantly lower levels of activities.

Year 2000 Issues

The Year 2000 issue is concerned with whether computer systems will properly recognize date-sensitive information when the year changes to 2000. The issue arose because many computer programs were written using two digits rather than four to represent the applicable year. Any computer programs or hardware that have date-sensitive software or embedded chips may interpret a date ending in "00" as the year 1900 instead of the year 2000. In addition, the year 2000 is a leap year, which may not be recognized accurately. This could result in system failures or miscalculations causing disruptions of operations for any company using such computer programs or hardware, including, among other things, an inability to connect to the Internet, process transactions, send invoices or engage in normal business activities. As a result, many companies and individuals must upgrade or replace their computer systems to avoid "Year 2000" issues.

The software and hardware we use to manage our business has substantially all been purchased or developed by us within the last 30 months. While this does not uniformly protect us against Year 2000 exposure, we believe that our information technology is not based upon "legacy" hardware and software systems. "Legacy system" is a term often used to describe hardware and software systems that were developed in previous decades when there was less awareness of Year 2000 issues. Generally, hardware and software design within the current decade, and the past several years in particular, has given greater consideration to Year 2000 issues. All of the software code we have internally developed to manage our network and to develop courses, for example, is written with four digits to define the applicable year.

We are in the process of testing our internal information technology and non-information technology systems. We have a dedicated Year 2000 project manager and our own personnel have performed all of the testing we have completed. To date, we have completed our initial testing of our internally developed information technology and non-information technology software. Our initial testing produced no results that would lead us to believe such software is not Year 2000 compliant. Nevertheless, we may experience material unexpected costs caused by undetected errors or defects in the technology used in our systems. To confirm our results, we plan to retain an outside firm specializing in Year 2000 issues.

In addition to our internally developed software, we use software and hardware developed by third parties both for our network and internal information systems. We have not performed any testing of such third-party software or hardware to determine Year 2000 compliance. We are, however, in the process of obtaining certifications from our key vendors to ensure that their hardware and software is Year 2000 compliant. Based on our initial evaluation of our list of material software and hardware providers, we believe that these providers are presently compliant or are reviewing and implementing their own Year 2000 compliance programs. We intend to work with these providers to address the Year 2000 issue and continue to seek assurances from them that their products are Year 2000 compliant.

We rely on third party network infrastructure providers to gain access to the Internet. We also rely on other third party providers such as utilities who provide electricity to our physical facilities. If such providers experience business interruptions as a result of their failure to achieve Year 2000 compliance, our ability to provide Internet connectivity, for example, could be impaired, which could have a material adverse effect on our business, results of operations and financial condition.

Moreover, our users' success in maintaining Year 2000 compliance is also significant to our ability to generate revenue and execute our business plan. Interruptions in our users' services and on-line activities caused by Year 2000 problems could have a material adverse effect on our revenue.

We expect to substantially complete our Year 2000 compliance program, including any necessary remediation measures, by June 30, 1999. Other than the cost of the outside consulting firm, which we do not expect to exceed $75,000, we have not incurred any significant expenses to date and we are not aware of any material costs associated with our anticipated Year 2000 efforts. Costs or other amounts incurred in connection with Year 2000 issues have been expensed or will be expensed as they occur. However, if we, a significant number of our users, our providers of hardware and software or our third-party network or utility providers fail to remedy any Year 2000 issues, we would experience a material loss of revenue that could materially adversely affect our business, results of operations and financial condition. We would consider an interruption in our ability to provide our services to be the most likely result of any failure by us, or failure by the third parties upon whom we rely, to achieve Year 2000 compliance. Presently, we are unable to reasonably estimate the duration and extent of any such interruption, or quantify the effect it may have on our future revenue. In addition, we provide a warranty to our customers regarding the Year 2000 compliance of our system, including our software and the interfaces necessary to deliver courses over the Internet. If we were to breach this representation, our customers would have the right to terminate their contracts with us upon 30 days

notice. We are currently developing a contingency plan to ensure the continuity of our core business processes in the event of a Year 2000-related failure of our systems. We expect that the plan will include a determination of the critical core processes that would be at risk during a system failure. The plan will also prioritize the areas where resources should be applied. To date, the costs of developing the plan have not been material. Although future costs are difficult to estimate, we do not currently expect that such costs will be material.

Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position, operating results or cash flows due to adverse changes in financial market prices and rates. We are, or may become, exposed to market risk in the areas of changes in United States interest rates and changes in foreign currency exchange rates as measured against the United States Dollar. These exposures are directly related to our normal operating and funding activities. Historically and as of December 31, 1998, we have not used derivative instruments or engaged in hedging activities.

Interest Rate Risk

We manage interest rate risk by investing excess funds in cash equivalents and short-term investments bearing variable interest rates, which are tied to various market indices. As a result, we do not believe that near-term changes in interest rates will result in a material effect on our future earnings, fair values or cash flows.

Foreign Currency Risk

We may enter into contracts where we pay or a third party pays us in a foreign currency. This would expose us to changes in exchange rates. Changes in the foreign exchange rates may positively or negatively affect our financial position, results of operations or cash flows. We do not believe that near-term changes in exchange rates will result in a material effect on future earnings, fair values or cash flows, and therefore, have chosen not to enter into foreign currency hedging instruments. There can be no assurance that such an approach will be successful, especially in the event of a significant and sudden decline in the foreign exchange rates.

Recent Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which provides guidance on accounting for the cost of such software. SOP No. 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998. We do not expect that the adoption of SOP No. 98-1 will have a material impact on our 1999 financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). We are required to adopt SFAS No. 133 in the year ended December 31, 2000. SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. To date, we have not entered into any derivative financial instruments or hedging activities.

Business

Overview

eCollege.com, formerly Real Education, Inc., is a leading provider of a complete solution that enables colleges and universities to deliver an online campus and courses over the Internet. Our integrated software and services allow colleges and universities to outsource the creation, launch, management and support of a comprehensive online campus and courses. We typically create and deliver a complete online campus, including faculty and administration training, in 60 business days. We charge our customers an initial online campus and course development fee, an additional development fee for each incremental online course, and a per student fee for each enrollment in an online course. Our comprehensive solution allows colleges and universities to reach a large number of additional students and enables students to participate in courses at convenient times and from a variety of geographic locations. As of May 12, 1999, we had 80 contracts covering over 100 individual campuses. Student enrollments per year at these campuses are approximately 8.8 million. Since inception, our customers have purchased more than 1,500 online courses from us. During the Spring 1999 term, our customers had approximately 5,000 student enrollments in online courses provided by us.

Market Opportunity

The market for higher education is large and growing. The U.S. Department of Education estimates that more than $200 billion is spent annually in the higher education market and that more than 14.5 million students were enrolled in colleges and universities in 1998. We believe that a growing demand for skilled labor, a larger population of potential students and the economic value of post-secondary education to students will continue to drive demand for higher education over the next decade. Moreover, a change in demographics has resulted in a greater percentage of older students. International Data Corporation estimated that for 1996, adults over 24 years of age comprised approximately 6.2 million, or 43.5%, of the students enrolled in higher education programs. The U.S. Bureau of Census estimates that approximately 75% of students over the age of 24 work while attending school. This growing population of older students has caused colleges and universities to alter their approach to traditional education to meet the different needs of this population.

The Internet's open architecture, universal accessibility and real-time interactive nature make it a natural platform for distance education. Accordingly, online learning has become one of the fastest growing segments of the education marketplace. International Data Corporation estimated that the number of Web users worldwide would exceed 95 million by the end of 1998 and will grow to over 320 million by the end of 2002. Online learning allows students to participate in courses at times that are

convenient for them and from a variety of geographic locations, including satellite campuses or their own homes. Colleges and universities are experiencing increased demand for online learning and are increasingly recognizing that online learning allows them to reach more students, presenting additional revenue opportunities. International Data Corporation also estimates that approximately 85% of higher education institutions will offer distance learning courses by 2002 and that the number of students taking such courses will increase by more than 30% per year through 2002.

Despite this projected growth, colleges and universities face several challenges in delivering high quality online courses. Effective online learning requires that students receive a learning experience of comparable quality, content and student/faculty interaction to an on-campus education. A college or university may attempt to develop an online education solution internally, creating its own software or purchasing software components from a vendor. However, we believe that many colleges and universities have found internally developed solutions to be time-consuming, expensive and difficult to implement. As a result, a growing number of colleges and universities are outsourcing the development and maintenance of their online campus and courses.

The eCollege.com Solution Our solution is designed to meet the online learning needs of colleges and universities and their students. The eCollege.com solution has the following key elements:

Comprehensive Services. We provide a comprehensive suite of services, including design, development, management and hosting of online campuses and courses, as well as ongoing customer support. Our account service representatives work with college and university administrators to design a unique online campus which replicates key services of a physical campus, including admissions, registration, bookstore, library, academic advising, career counseling, student union, bursar's office and financial aid services. We also provide ongoing service and training to our customers through a technical support staff and an online help desk. We host the online campus on our reliable infrastructure, achieving nearly 100% uptime. We believe our integrated software and services offer the most comprehensive solution to colleges and universities seeking to outsource the development, delivery and maintenance of their online campus and courses.

Rapid, Cost-Effective Development of Online Campuses. We can build an online campus for a college or university, typically within 60 business days. ,Our initial development fee of $30,000 includes the online campus and ten courses. We believe most colleges and universities would incur substantially greater costs to develop a comparable solution internally.

Easy Online Course Development. We work with faculty members to convert courses into effective Web presentations using an array of course design tools and support services. Our automated, user-friendly authoring tools enable faculty, with little or no programming experience, to easily develop and update their courses through a standard Web browser. We believe that ease of use by the faculty and the availability of our technical support services are critical to achieving faculty acceptance of our solution.

Easy to Use, Online Learning Environment. The customized online campuses and courses are easy for students and faculty to use. A student can access our system with a Pentium 75 megahertz computer with a 28.8 kilobits-per-second modem and a standard Web browser. The online campus includes easily

navigable screens, as well as highly customizable courses and student services. Our system allows the use of rich multimedia content, including video and audio clips, and a variety of interactive learning tools. Our high capacity, fully- redundant infrastructure helps to ensure availability of the online campus and convenient "anytime/anywhere" delivery of courses. Our customer support personnel are available 24 hours a day, seven days a week.

Standard, Scalable Technology. We integrate industry standard, open technology to provide a scalable and reliable delivery system. We have made significant investments in our infrastructure and technical support to ensure the reliability and scalability of our solution. We utilize redundant high bandwidth network connections and clustered servers, fault-tolerant storage technology and load distribution capabilities to increase the reliability and availability of our systems and services.

Growth Strategy

Our objective is to become the leading provider of outsourced online learning solutions for colleges and universities and for providers of continuing education and corporate training worldwide. The key elements of our growth strategy are:

Add Additional Colleges and Universities. In order to capitalize on the significant interest from colleges and universities, we increased our sales force from 4 to 40 in mid-1998 and have entered into more than 50 new contracts since then. Using a focused regional approach, we are now actively targeting more than 3,000 colleges and universities. In addition, we intend to further develop the eCollege.com brand and reputation by increasing our marketing efforts, including increased use of print and online media advertising and greater participation at trade shows and executive speaking engagements. We believe our larger sales force and an increased marketing effort will enable us to further penetrate the higher education market.

Increase Course Offerings and Enrollments with Existing Customers. Once we build an online campus, our customers can easily develop additional courses with minimal assistance and investment. To facilitate the development of additional courses, we work with faculty on an ongoing basis, providing instructional design coordinators for one-on-one training and dedicated course developers for website design and development assistance. To further increase enrollments, we assist our customers with the marketing and promotion of their online learning programs. In particular, we recently announced a $12 million grant and scholarship program designed to increase the number of degree courses offered online and the number of online students.

Further Develop Relationships with Existing Customers. We seek to build long-term relationships with colleges and universities and their faculties so that the online campus becomes an important extension of the college or university. We invest heavily in course development personnel and technology and work closely with faculty to ensure easy-to-implement, high quality courses. Our account service representatives are available to assist faculty and administrators on an ongoing basis. To further develop the relationships with our customers' faculty, we recently developed faculty.com, a website

focused on faculty issues relating to online learning. We believe that development of long-term relationships with our customers will help us to penetrate additional departments within the college or university, and will create a strong barrier to exit.

Enter New Markets. We currently focus on North American colleges and universities, but also intend to offer our integrated software and services to the continuing education and corporate training markets. Accordingly, we are actively marketing to selected continuing education providers, corporate training companies and trade and professional associations. We also intend to expand into selected international markets.

Ecollege.com Customers

We target more than 3,000 colleges and universities in the United States and Canada. We first began delivering courses in 1996 to the University of Colorado. In mid-1998, we significantly increased our sales force and have entered into more than 50 new contracts since then. Our management team and sales force have significant experience in the education industry, which we believe will continue to be a key factor in our ability to increase our customer base. Our current customers include: University of Colorado, Seton Hall University, Eastern Michigan University, University of Pennsylvania, Connecticut State University System, Keller Graduate School of Management, Rutgers University, The University of North Carolina at Greensboro, California State University--Hayward, University of Montana and The University of Wyoming. The University of Colorado accounted for 11% of our revenue in the first quarter of 1999, 21% of our revenue in 1998, 62% of our revenue in 1997 and 93% of our revenue in 1996. In addition, we have contracts with several providers of continuing education and corporate training, including DeVry/Becker Educational Development Corp., Earth Tech, Inc., National Association of Realtors and Palmer Chiropractic University Foundation d/b/a Palmer Institute for Professional Advancement.

eCollege System

The eCollege System is made up of four components that are integrated and scalable: eCollege Campus, eCollege Course, Course Manager and Administrative Reports. The eCollege Campus serves as the entry point for students, faculty and administrators to enter the eCollege System. With a valid password, students, faculty and administrators can also access the eCollege Course. Faculty can access the Course Manager to create and update online course material, while administrators can access the Administrative Reports to review and sort student information.

Graphic depicting components of eCollege System:

eCollege System (SM)

Students/Faculty/Administrators Web Browser eCollege Campus (SM)

* Welcome Page
* Course Catalog
* Admissions
* Registration
* Tuition & Fees
* Technical Requirements
* Academic Information
* Financial information

Restricted Access:

Password Required

eCollege Course (SM)

* Personal Homepage * Message Center * Multimedia Support * Add/Drop Courses * Class Email * Testing Functions * Learning Tools Course Manager Administrative Reports

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* Administer communications tools          * Student records: payment history
* Administer assessment tools                payment status and grades
* Upload text, graphics and multimedia     * Database of college and
- -------------------------------------          university specific inquiries
           Faculty                         * Bulk email notification
                                                     Administrators
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eCollege Campus. The eCollege Campus is the initial entry point for all student, faculty and administrative services, including online admissions and registration, as well as the entry point to access the password protected eCollege Course, which contains the online courses and course material. We design each eCollege Campus to be easy to use and to reflect a college's distinctive character and unique preferences. We also design each eCollege Campus to replicate the key services available on-campus.

Below are examples of eCollege Campuses for the University of Colorado and Seton Hall University.

[Picture of web page from "cuonline.edu," the online campus of University of Colorado.]

[Picture of web page from "setonworldwide.net," the online campus of Seton Hall University.]

eCollege Course. After entering the password protected eCollege Course, an individual views a customized personal homepage. This page is unique for each student, faculty member or administrator and offers access to several features and services, including add/drop functions, account balance information, the online bookstore and personal emails. The personal homepage also lists each course in which a student is currently enrolled and provides an online tutorial. The eCollege Course presents course material online with features that enable faculty to track and manage student progression through a course. The eCollege Course also emphasizes student-to-faculty and student-to-student communication. Faculty members may use a variety of online teaching tools to conduct courses. Each online course begins with an introduction to the course and incorporates an audio or video presentation (using streaming technology) introducing the faculty member. Within the eCollege Course, faculty members can create, administer and score a variety of types of exams. Faculty members are also able to incorporate multimedia capabilities to enhance presentations.

Course Manager. Our course developers use the Course Manager to build online courses and materials. The Course Manager also provides faculty with an organized format to display content while offering design flexibility in the use of communications and assessment tools in their courses. After minimal training, faculty can use the Course Manager to create and update their own course material in real time. This functionality encourages faculty to continually improve and update their courses, leading to better quality courses and materials for students.

Administrative Reports. The Administrative Reports capture and display student information for college and university officials and administrators. Our customers can sort information by class code, student name, city or state or the registrant's Internet provider. Further, the Administrative Reports maintain faculty and student evaluations and offer the ability to broadcast email messages to any group, based on enrollment classifications, demographics or other characteristics.

Additional Ecollege.com Support and Services

We support the development of the online campus and courses with account service representatives, course developers, instructional design consultants and a help desk. We believe that providing attentive service is a key competitive advantage and will be an important factor in achieving market acceptance and maintaining long-term relationships with colleges and universities.

Account service representatives. Account service representatives facilitate the efficient development and growth of the online campus, frequently consult with college and university administrators and serve as a point of contact for all services. The account service representatives gather information regarding the distinctive character and preferences of each college or university and serve as a liaison to our design and technology teams. After the online campus is built, the account service representatives assist the customer with ongoing maintenance issues and manage all aspects of our relationship with the college or university.

Course developers. Our course developers help faculty build online courses using content provided by faculty. Course developers input the content into the Course Manager to build an online course to the faculty member's specifications. We offer a studio for faculty to record lectures and our course developers work with our audio and video group to create multimedia content for online courses.

Instructional design consultants. Our instructional design consultants train faculty, provide written and multimedia resources and work individually with faculty to help them present their material in an attractive online format. In addition, they consult with faculty and our research and technology teams to generate ideas for improving our course delivery system.

Help desk. Our help desk provides technical support to students and faculty using the eCollege System. The help desk is available through email and telephone 24 hours a day, seven days a week.

Sales and Marketing

Sales. We target more than 3,000 colleges and universities in the United States and Canada. We have a sales force of 40 individuals, most with a background in education and/or technology. Our sales force covers 27 regions throughout the entire continental United States and Canada, and a National Accounts Manager covers 50 strategic colleges and universities. We divide the United States and Canada into three geographic areas, each managed by a regional vice president who is responsible for approximately 10 smaller regions. These regions are covered by regional managers who are located within the territories they serve. Their assignments and objectives include:

. working with our marketing department team to develop awareness of our services in each manager's region;

. developing the initial business relationship with the roughly 100 colleges and universities in their region; and . broadening the business relationship by working with additional departments in a given college or university.

The sales process is based on leads generated by the regional managers, inquiries to the website and through attendance at conferences or trade shows. After a lead is generated, the regional manager qualifies each prospect. We typically give each prospect access to a demonstration course and make an appointment for a presentation. Each presentation includes an online or CD-ROM demonstration of our system. Subsequent presentations may be scheduled with faculty and other interested parties. Once a contract is signed, we begin implementation of the online campus.

We are also pursuing opportunities in the continuing education and corporate training markets. We recently transferred two individuals to focus on continuing education, corporate training and trade association customers and prospects. These corporate sales managers respond to inquiries from customers and prospects, work with our marketing department to increase awareness of our services and proactively develop relationships with additional providers of continuing education and corporate training.

Marketing. We market our solution through a combination of print and online media advertising, trade shows and direct marketing to promote our services to colleges and universities. Our website has been designed as our primary marketing communications tool, incorporating a demonstration of the eCollege System, information on industry trends, market research, webcasts from industry experts, and other important events in online learning. We also advertise in industry periodicals such as The Chronicle of Higher Education to address key decision-makers in our target market, generally senior administrators, faculty and IT administrators. We continue to strengthen our brand identity by participating in trade shows, conferences and executive speaking engagements. Finally, we hold online learning symposiums to build market awareness and identify qualified prospects.

We market to students through our website, which highlights the benefits of online learning and provides students with information on online higher education alternatives. We intend to continue to develop our website for students as an important source for their online learning needs. We also intend to market to faculty through faculty.com, a website focused on faculty issues relating to online learning.

We provide our customers with additional marketing support to drive enrollment of online students, including:

. an instructional enrollment marketing kit for our customers including media plans, sample advertisements and public relations and Web marketing strategies;

. pamphlets distributed on campus;

. marketing consulting services;

. international promotion and recruitment; and . awareness of advanced degree, continuing education and corporate training alternatives.

We recently announced a twelve million dollar grant and scholarship program dedicated to increasing the number of degree courses currently offered online and increasing the number of students pursuing an online education. Grants will be awarded, at our discretion, to institutions based on demonstrated commitment to a quality online degree program, the number of current and potential students, the institution's unique approach to online learning and other factors. Scholarships will be awarded based on a variety of student characteristics, including financial need and scholastic aptitude.

Technology

Our technology strategy is to employ the best available software on stable and scalable platforms. The eCollege System consists of widely known off-the- shelf components combined to create a proprietary architechture. We use Microsoft NT 4.0 as our operating system for both our development and production environments. Our course content storage architecture is based on Microsoft SQL Server, version 6.0. Our webserver component, as well as our authentication systems, are provided by the Microsoft Commercial Internet System. The proprietary elements of the eCollege System are based on a combination of Microsoft programming languages, including Visual Basic, Active Server Pages and Web Classes. The eCollege System is load balanced using Microsoft's Windows Load Balancing Services, resulting in a scalable delivery system.

The eCollege System is delivered from a centralized webserver to our customers. We have made a substantial investment in fault-detection, fault- handling and general system uptime enhancements, resulting in a highly reliable Web hosting infrastructure. Our server hardware consists of Hewlett Packard servers, using Intel microprocessors, typically configured with twin processors and one gigabyte of memory. All primary servers contain redundant network cards and power supplies, as well as fault-tolerant disk storage solutions for added redundancy. Our service contracts with Hewlett Packard include a four-hour hardware response time. Our database servers contain the latest clustering technology that leverages both Hewlett Packard hardware and Microsoft software technologies for scalability and speed. Finally, we maintain sophisticated firewall technology to protect against security breaches and "hackers."

Our network engineering infrastructure generally follows a traditional co- location model. Currently, all of our primary servers are co-located at an independent facility in Sunnyvale, California. This facility ensures us a minimum of ten megabyte connection to the Internet. In addition, we maintain a backup data center in Denver, utilizing a redundant fiber optic connection to another tier one service provider, Cerfnet/AT&T. Additionally, our bandwidth is scalable to accommodate unforeseen spikes in user activity. Our current Internet backbone employs both DS-3 ATM and OC-3c to OC-12c packet over SONET links. For increased reliability, we outsource fully-redundant components using state-of-the-art technology from leading industry vendors. Our outsourced digital distribution architecture is comprised of more than 60 high-speed private peering network connections to major Internet carriers

such as MCI Worldcom, Sprint and AT&T. In addition, it provides high-speed links to eight Internet exchanges with over 100 public peering arrangements, geographically dispersed Media Distribution Centers and intelligent end-user routing software.

Competition

The online learning market is quickly evolving and is subject to rapid technological change with no single competitor accounting for a dominant market share. We believe that the principal competitive factors in our market include:

. the ability to provide an online solution meeting the needs of colleges, universities and students;

. quality and performance of online learning solutions;

. service features such as adaptability, scalability and ability to integrate other technology-based products;

. quality of implementation and service teams;

. company reputation; and . pricing.

Our competitors vary in size and in the scope and breadth of the products and services they offer. Competition is most intense from colleges' and universities' internal information technology departments. Many colleges and universities construct online learning systems utilizing in-house personnel and creating their own software or purchasing software components from a vendor. We also face significant competition from a variety of companies including: (1) other companies which seek to offer a complete solution including software and services, (2) software companies with specific products for the college and university market, (3) systems integrators and (4) hardware vendors.

Other competitors in this market include a wide range of education and training providers. These companies use video, cable, correspondence, CD-ROM, computer-based training, and online training.

We believe that the level of competition will continue to increase as current competitors increase the sophistication of their offerings and as new participants enter the market. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do and may enter into strategic or commercial relationships with larger, more established and well-financed companies. Certain competitors may be able to secure alliances with customers and affiliates on more favorable terms, devote greater resources to marketing and promotional campaigns and devote substantially more resources to systems development than we can. In addition, new technologies and the expansion of existing technologies may increase the competitive pressures we face. Increased competition may result in reduced operating margins, as well as loss of market share and brand recognition. We may not be able to compete successfully against current and future competitors, and competitive pressures we face could have a material adverse effect on our business and financial results.

Proprietary Rights and Technology

Although our business model and the services we provide define our business, our software and our copyrights, service marks, trademarks, trade dress, trade secrets, proprietary technology and similar intellectual property are also very important to our success. We rely on a combination of trademark and copyright laws, trade secret protection and confidentiality and/or license agreements with our employees, customers, partners and others to protect our proprietary rights. We have applied for the registration of certain of our trademarks and service marks in the United States. In addition to our Internet domain name, we also license and may license in the future, certain of our proprietary rights, such as trademarks, technology or copyrighted material, to third parties. See "Risk Factors--We must protect or intellectual property and proprietary rights."

Employees

As of March 31, 1999, we employed 197 people. None of our employees is subject to any collective bargaining agreements, and we consider our relations with our employees to be good.

Facilities

Our corporate headquarters are located in Denver, Colorado. The headquarters facility encompasses approximately 44,000 square feet and is leased for three years. We believe our existing facilities are adequate for current requirements and that additional space can be obtained on commercially reasonable terms to meet future requirements.

Legal Proceedings

We are not a party to any material legal proceedings.

Management

Executive Officers, Directors and Key Employees The executive officers, directors and key employees of eCollege.com as of April 30, 1999 are as follows:

Name Age Position

Executive Officers and Directors Robert N. Helmick..... 41 Chairman, President and Chief Executive Officer Jonathan M. Dobrin..... 27 Vice President, Chief Technology Officer and Director Steven M. Singer..... 44 Vice President, Finance and Administration and Chief Financial Officer John V. Helmick..... 40 Vice President, Corporate Services Mark J. Fine..... 43 Vice President, Sales Ray Henderson..... 35 Vice President, Product Systems & Technology Kevin L.

Johnson..... 38 Vice President, Business Development Daniel H. Meitus..... 43 Vice President, Marketing James N. Sigman..... 37 Vice President, Accounts and Services Jack W. Blumenstein (1) (2).. 55 Director Christopher E. Girgenti (1) 35 Director (2).....

Jeri Korshak (1) (2)..... 44 Director Oakleigh Thorne..... 41 Director Key Employees Bradley V. Felix..... 25 Vice President, Systems Development Denise LaBier Pilkington..... 36 General Counsel James R. Nollsch..... 26 Vice President, Web Development Ginger Smith..... 39 Controller (1) Member of the Compensation Committee (2) Member of the Audit Committee Robert N. Helmick founded eCollege.com in July 1996 and has served as our Chairman of the Board, President and Chief Executive Officer since our inception. Mr. Helmick founded and served as Chief Executive Officer of Helmick and Associates, International, a consulting firm for higher education from 1990 through 1996. During that time, he served on the Board of Trustees of several universities. Previously, he practiced law with Bradshaw, Fowler, Proctor and Fairgrave, a law firm in Des Moines, Iowa, from 1982 through 1990. Mr. Helmick received a JD from the University of Southern California Law School and a BA from Drake University. Mr. Helmick is the brother of John V. Helmick, our Vice President, Corporate Services.

Jonathan M. Dobrin has served as our Vice President and Chief Technology Officer since August 1998. Mr. Dobrin also served as our Vice President and Chief Operating Officer from July 1996 through July 1998. Mr. Dobrin has served as a director since 1997. He founded and served as Vice President of Real Information Systems LLC, a company that specialized in the development and deployment of premium Web sites, from October 1994 through July 1996. Mr. Dobrin received a BA from the University of Vermont.

Steven M. Singer has served as our Vice President, Finance and Administration and Chief Financial Officer since December 1997. Mr. Singer has served as our Treasurer since January 1998 and served as a director from June 1997 to January 1999. Mr. Singer was an investment banker with McDonald & Co. from July 1997 through December 1997, with The Chicago Corporation (now ABN AMRO, Inc.) from October 1994 through July 1997 and with Dain Bosworth from April 1991 through October 1994. He received a BBA and an MBA from the University of Wisconsin. Mr. Singer is a Certified Public Accountant.

John V. Helmick has served as our Vice President, Corporate Services since March 1999. Mr. Helmick has served as our Secretary since our inception. He also served as a director from our inception through January 1999, as our General Counsel from August 1996 through March 1999 and as our Treasurer from our inception through January 1998. Mr. Helmick was an attorney specializing in corporate finance and securities regulation with Hershner, Hunter, Moulton, Andrews & Neill in Eugene, Oregon from 1993 until joining the Company in 1996. Mr. Helmick received a JD from Yale Law School and a BBA from the University of Texas at Austin. Mr. Helmick is the brother of Robert N. Helmick, our Chairman, President and Chief Executive Officer.

Mark J. Fine has served as our Vice President, Sales since October 1997. From August 1980 through April 1996, he held various positions at Columbine JDS, a leading provider of software and services to the broadcasting and cable industries, including Vice President, Corporate Development, Vice

President, Director of Automation Business Unit and most recently, Vice President, Sales and Marketing. Mr. Fine holds a BS in Quantitative Business Analysis from Arizona State University.

Ray Henderson has served as our Vice President, Product Systems and Technology since January 1, 1999. From 1987 to 1998, he was employed by Simon & Schuster's Higher Education Division, where he was Vice President, Product Systems & Technology. In this role he pioneered many of the higher education industry's first Web-based products, and created a highly scalable technology infrastructure for producing Internet-based educational products. Mr. Henderson received a BS from Trinity University.

Kevin L. Johnson has served as our Vice President, Business Development since October 1998. From December 1984 through October 1998, he held various positions, most recently as the Director of Strategic Relationships for the Simon & Schuster Higher Education Distributed Learning Group responsible for business development and partnership work as well as sales management of several regional sales managers. Mr. Johnson has over fifteen years of higher education sales, editorial and business development experience. Mr. Johnson received a BA from Middlebury College.

Daniel H. Meitus has served as our Vice President, Marketing since May 1998. From December 1996 through April 1998, he was a senior consultant with Meitus & Associates, performing services for Integro, Inc., where he led the sales force automation practice. From 1995 to 1996, he was Director of Analog Services for Nextel Communications, Inc. where he managed the nationwide operations of its wireless communications product line. From 1992 through 1995, Mr. Meitus was the Director of Marketing of OneComm, Inc. Mr. Meitus received an MBA from the Wharton School, University of Pennsylvania, and a BS from Washington University in St. Louis.

James N. Sigman has served as our Vice President, Accounts and Services since our inception. From 1992 through May 1996, he was an attorney with Laurence J. Rich & Associates, specializing in corporate law, employment law and litigation. Mr. Sigman received a JD from the University of Denver Law School and a BA from Tulane University.

Jack W. Blumenstein has served as a member of our board of directors since February 1998. Mr. Blumenstein has been the President of TBG Information Investors, LLC, and the co-president of Blumenstein/Thorne Information Partners, L.L.C. since October 1996, and is a co-founder of these private equity investment firms. From October 1992 to September 1996, Mr. Blumenstein held various positions with The Chicago Corporation (now ABN AMRO, Inc.), serving most recently as Vice President, Debt Capital Markets Group and a member of the board of directors. Mr. Blumenstein was President and CEO of Ardis, a joint venture of Motorola and IBM, and has held various senior management positions in product development and sales and marketing for Rolm Corporation and IBM. Mr. Blumenstein is a member of various business and civic boards of directors, including AirCell, Inc., HotOffice Technologies, Inc., the Chicago Zoological Society, and Kids Voting USA.

Christopher E. Girgenti has served as a member of our board of directors since June 1997. Mr. Girgenti has been Senior Managing Director of New World Equities, Inc. since November 1996 and Managing Director of New World Venture Advisors, LLC since January 1998. He serves on the boards of several technology and telecommunications companies. From April 1994 through October 1996, Mr. Girgenti

served as Vice President and was co-head of the technology investment banking group of The Chicago Corporation (now ABN AMRO, Inc.). He has held various corporate finance positions with Kemper Securities, Inc. and KPMG Peat Marwick. Mr. Girgenti is a Chartered Financial Analyst.

Jeri Korshak has served as a member of our board of directors since February 1999. Ms. Korshak has over twenty years of experience in marketing and business development. Ms. Korshak has been the Vice President of Strategy for MediaOne Group since June 1998. Ms. Korshak was Vice President and General Manager of US WEST Dex--Mountain Region from September 1995 to May 1998, and Vice President and General Manager of Interactive Television of US WEST Multimedia from November 1994 to September 1995. In these and other positions, Ms. Korshak has been involved in developing and introducing interactive services.

Oakleigh Thorne has served as a member of our board of directors since February 1998. Mr. Thorne has been Chairman and Chief Executive Officer of TBG Information Investors, LLC and the co-president of Blumenstein/Thorne Information Partners, L.L.C. since October 1996, and is a co-founder of these private equity investment firms. TBG, a partnership with GS Capital Partners II, is a private equity fund that focuses on capital transactions in the information industry. Prior to that time, from January 1991 to August 1996, Mr. Thorne served in various management positions, including most recently President and Chief Executive Officer, of CCH Incorporated, a leading provider of tax and business law information, software, and services.

Bradley V. Felix has served as our Vice President, Systems Development since August 1996. He founded and served as President of Timberline Internet Services, Inc., a consulting firm specializing in programming for Internet commerce from March 1996 through March 1997. In June 1997, Mr. Felix also co- authored Building an Extranet: Connect Your Intranet with Vendors and Customers. Mr. Felix also co-founded and developed ColoradoNet, an Internet service provider in 1995 and served in various technical and management capacities from December 1995 through August 1996. ColoradoNet was purchased by eCollege.com in August 1996. From September 1995 to June 1996, Mr. Felix served as a transportation specialist for Ralston Resorts. Mr. Felix served as a systems developer with Futures Tech on the Net from May 1995 to September 1995. Mr. Felix received a BS from Tufts University in 1995.

Denise LaBier Pilkington has served as our General Counsel since March 1999. From August 1998 to March 1999, she was our Associate General Counsel. From 1992 to 1998, she was an attorney with Woodrow & Gruskin, PC, specializing in corporate and business law. Ms. LaBier Pilkington received a BA from the University of Colorado and a JD from the University of Denver Law School.

James R. Nollsch has served as our Vice President, Web Development since July 1996. From November 1995 to July 1996, Mr. Nollsch served as Director of Product Development for Real Information Systems, LLC. Mr. Nollsch attended the University of Colorado, where he received a BA in 1994.

Ginger C. Smith has served as our Controller since March 1998. Ms. Smith has over fourteen years of experience in finance and accounting. She has held financial management positions at NovaLogic, Inc., a software start-up, and Paramount Pictures. From 1985 to 1990, she was an auditor at Coopers &

Lybrand. She received an MBA from California State University, and a BS in Finance and a BA in Accounting from George Mason University.

Directors' Terms

All directors hold office until the next annual meeting of stockholders or until their successors have been duly elected and qualified.

Board Committees

The Compensation Committee consists of Messrs. Girgenti and Blumenstein, and Ms. Korshak. There is currently one vacancy on the Compensation Committee. The Compensation Committee reviews and evaluates the salaries, supplemental compensation and benefits of our officers, reviews general policy matters relating to compensation and benefits of our employees and makes recommendations concerning these matters to the Board of Directors. The Compensation Committee also administers our stock option and stock purchase plans. See "--1997 Stock Option Plan" and "--1999 Employee Stock Purchase Plan."

The Audit Committee consists of Messrs. Girgenti and Blumenstein, and Ms. Korshak. The Audit Committee reviews with our independent auditor the scope and timing of its audit services, the auditor's report on our financial statements following completion of its audit and our policies and procedures with respect to internal accounting and financial controls. In addition, the Audit Committee will make annual recommendations to the board of directors for the appointment of independent auditors for the ensuing year.

Director Compensation We do not currently compensate directors for attending meetings of the board of directors or committee meetings of the board of directors, but we do reimburse directors for their reasonable travel expenses incurred in connection with attending these meetings.

Compensation Committee Interlocks and Insider Participation No member of the Compensation Committee was at any time an employee of eCollege.com. None of our executive officers serves as a member of the board of directors or Compensation Committee of any other entity which has one or more executive officers serving as a member of our board of directors or Compensation Committee.

1997 Stock Option Plan Our 1997 Stock Option Plan was adopted in 1997, and amended on April 13, 1999. The 1997 plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code, and for the granting of nonqualified stock options to employees and/or consultants. Unless terminated sooner, the 1997 plan will terminate automatically in 2007. A total of 2,800,000 shares of common stock have been reserved for issuance under the 1997 plan. As of April 30, 1999, options to purchase 1,452,850 shares of common stock were outstanding under the 1997 plan, and 1,176,700 shares of common stock remained available.

The 1997 plan may be administered by the board or a committee appointed by the board to administer the plan. The board or committee has full power and authority to administer and interpret the plan. Such powers include, but are not limited to, authority to determine the employees and consultants to be granted stock options under the plan, to determine the size, type, and applicable terms and

conditions of grants to be made to such employees and consultants, to determine a time when stock options will be granted, and to authorize grants to eligible employees and consultants. The exercise price of incentive stock options must be at least equal to the fair market value of the common stock on the date of the grant. During all times we are subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), each member of the board who participates in administration must be a "disinterested person" as that term is defined in Rule 16b-3 of the Exchange Act.

The option or purchase price of all nonqualified and incentive stock options granted under the 1997 plan will be determined by the board. Payment of such purchase price must be made in cash, or in accordance with procedures for a "cashless exercise" as we may establish from time to time with a brokerage firm to facilitate exercises of options and sales of shares under the 1997 plan. Also, payment for shares upon the exercise of options may be made with shares of our common stock valued at the fair market value of those shares. Upon exercise of a nonqualified stock option, in addition to the exercise price, the optionee must pay the amount of federal, state, and local income tax and FICA taxes we are required to withhold. An optionee can elect to pay these taxes by having us withhold shares of common stock with a value equal to the amount of taxes required to be withheld.

The 1997 plan provides that in the event of a merger, a tender or takeover offer (other than one by us) or a sale of all or substantially all of our assets (collectively, a "Change of Control Event"), or stockholder approval of our dissolution, the board has the authority to provide for the full automatic vesting and exercisability within a specified period of time of each nonqualified stock option, including shares as to which the option would not otherwise be exercisable. An option exercise may be made contingent upon completion of a Change of Control Event. After a Change of Control Event occurs or articles of dissolution are filed, all unexercised options will terminate.

1999 Employee Stock Purchase Plan eCollege.com's 1999 Employee Stock Purchase Plan (the "purchase plan") will be effective prior to completion of this offering. The purchase plan authorizes the issuance and sale of up to a total of 1,000,000 shares of common stock to participating employees. The purchase plan will consist of ten separate consecutive six-month offerings. The first offering will commence on completion of our initial public offering, and subsequent offerings will commence on each subsequent January 1. Unless amended, the purchase plan will terminate upon the earliest of the following: (a) June 30, 2005, (b) the date we file a statement of intent to dissolve or the effective date of a merger or consolidation wherein are not the surviving corporation, unless the merger or consolidation is between or among corporations related to us, (c) the date the board acts to terminate the purchase plan, or (d) the date when all of the shares reserved for issuance under the purchase plan have been purchased.

The purchase plan will be administered by the board, which may engage a designated stock brokerage or financial services firm to assist in its administration. The board is vested with full authority to make, administer, and interpret rules and regulations necessary to administer the purchase plan. The board may delegate any or all of its administrative duties to a committee composed of two or more members of the board.

Regular employees of eCollege.com, including part-time employees who work at least 20 hours per week, or any of our subsidiaries who are employed by us or our subsidiaries on the commencement date of an offering period and have been so employed for at least three months, are eligible to participate in the purchase plan. However, employees who would immediately after the grant own 5% or more of the total combined voting power or value of our stock or that of any subsidiary are not eligible to participate.

The board will set the purchase price per share at an amount not less than the lower of (a) 85% of the fair market value of the shares on the commencement date, or the nearest subsequent business day, (b) 85% of the fair market value of the shares on the ending date, or the nearest prior business day, or (c) 85% of the fair market value of the shares on the purchase date. In the absence of any other determination by the board, the purchase price will be 85% of the fair market value of the shares on the purchase date.

An eligible employee may participate by completing an enrollment agreement and filing it with us prior to the commencement date of the offering to which it relates. For as long as the participant participates in the purchase plan, he or she authorizes us to make payroll deductions. A participant's payroll deductions will be credited to his or her account during the period of the offering. In the absence of any other determination by the board, no participant may have withheld payroll deductions in excess of the lesser of 10% of his or her salary or $20,000 during any calendar year.

On each of one or more purchase dates during an offering, a participant will be deemed to have purchased at the purchase price, the number of full shares that may be purchased with the participant's account.

An employee's rights under the purchase plan terminate upon voluntary withdrawal from the purchase plan, or when the employee ceases employment for any reason. No participant will be permitted to sell, or otherwise transfer, or to encumber his or her account or any rights to purchase shares under the purchase plan other than by will or the laws of descent and distribution. The board will have the right to amend, modify, or terminate the purchase plan at any time without notice, provided that (a) no participant's existing rights under any offering that is in progress may be adversely affected, and (b) in the event that the board desires to retain the favorable tax treatment under Sections 421 and 423 of the Internal Revenue Code, no such amendment of the purchase plan will increase the number of shares reserved for issuance unless our stockholders approve such an increase.

Executive Compensation The following table sets forth all compensation received during the year ended December 31, 1998 by Mr. Robert Helmick, our Chief Executive Officer. No other executive officer had salary and bonus exceeding $100,000 for services rendered in all capacities during 1998.

Summary Compensation Table In accordance with the rules of the SEC, other compensation in the form of perquisites and other personal benefits has been omitted from the following table because the aggregate amount of these perquisites and other personal benefits constituted less than the lesser of $50,000 or 10% of the total of annual salary and bonus in 1998.

Annual Compensation Name and Principal Position Year Salary Bonus Robert N. Helmick President and Chief Executive Officer..... 1998 $120,000 -0- Aggregate Year-End Option Values The following table sets forth certain information concerning the number and value of unexercised options held by Mr. Robert Helmick at December 31, 1998. Mr. Helmick did not exercise options to purchase common stock during the year ended December 31, 1998.

	Number of Securities Underlying Unexercised Options at December 31, 1998		Value of Unexercised In-the-Money Options at December 31, 1998(1)	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Robert N. Helmick.....	35,000	-0-	-0-	(1) There was no public trading market for the common stock as of December 31, 1998. Accordingly, these values have been calculated on the basis of the assumed initial public offering price of $ per share, less the applicable exercise price per share, multiplied by the number of shares underlying such options.

Employment Agreement

We have entered into an employment agreement with Mr. Robert Helmick. The agreement sets a base salary for Mr. Helmick which salary may be adjusted by the Compensation Committee. In addition to a base salary, Mr. Helmick is eligible for a bonus in cash, eCollege.com stock, or other consideration as determined by our board of directors, although we are not required to pay any bonus. Mr. Helmick is also entitled to standard benefits including:

. vacation days;

. participation in a flexible reimbursement plan; and . medical/dental insurance.

The initial term of employment under Mr. Helmick's employment agreement is from May 1, 1997 through December 31, 2000.

The term of employment is automatically extended for successive one-year renewal periods if not terminated by Mr. Helmick or by us upon written notice.

The agreement generally provides for termination:

. upon employee's willful and continuous failure or refusal to comply with our policies, standards and regulations;

. if employee engages in fraud, dishonesty or any other act of material misconduct; and . if employee receives notice of a breach of a material provision of the agreement and fails to cure the breach.

The agreement contains non-competition provisions during the term of employment and for the period twelve months after termination of employment. Under these provisions, Mr. Helmick may not:

. engage in, own an interest in, or perform services for any competitive business or activity;

. for the 6 months subsequent to termination, solicit any of our employees to terminate their employment; and . for the 12 months subsequent to termination, sell or attempt to sell any competitive services or goods to any of our customers.

The agreement also contains a confidentiality provision as well as a provision recognizing that we own all ideas and inventions conceived by Mr. Helmick during the term of the employment agreement.

Certain Transactions

In February 1997, Robert N. Helmick, Chairman, President and Chief Executive Officer, Jonathan M. Dobrin, Vice President, Chief Technology Officer and Director, and John V. Helmick, Vice President, Corporate Services, made the following purchases of our common stock:

	Shares Purchased	Price Per Share	Aggregate Proceeds
Mr. R. Helmick	6,790,000	$0.02	$130,500
Mr. Dobrin	210,000	0.02	4,050
Mr. J. Helmick	350,000	0.02	6,750

Mr. R. Helmick's contribution of $130,500 was in the form of services. Mr. Dobrin contribution of $4,050 was in the form of assets, including computer equipment, office furniture and computer software.

From August 2, 1996 through January 31, 1997, we borrowed a total of $443,277 from a limited liability company of which Mr. R. Helmick is a manager and a member. Each loan was made under a promissory note that had an interest rate of 8% per annum. We repaid these loans in a series of installments from July 1997 through April 1998, together with a total of $42,269 in accrued interest.

On March 10, 1997 we borrowed $87,000 from Mr. R. Helmick pursuant to a promissory note. The note was payable in 60 monthly installments of $1,868, and had an interest rate of 10.25% per annum. We made monthly payments through March 1998 and repaid the remainder of the note in full in April 1998.

On June 11, 1997 we entered into a Unit Purchase Agreement with New World Equities, Inc., Steven M. Singer, who is our Vice President, Finance and Administration and Chief Financial Officer, and four other investors. New World Equities, Inc. is the beneficial owner of 12.8% of our common stock before the offering, and director Christopher E. Girgenti is a senior managing director of New World Equities, Inc. Under the agreement we sold a total of 132,000 units for an aggregate purchase price of $1,000,000. Each unit consisted of one share of Series A Convertible Preferred Stock and a warrant to purchase seven shares of our common stock at an exercise price of $1.08 per share. The shares of Series A Preferred Stock will convert into a total of 924,000 shares of common stock upon the completion of this offering. In connection with these sales, we entered into a shareholders agreement which provided for the composition of our board and provided each purchaser with certain participation rights in any resale of the Series A Preferred Stock by the other purchasers. We also entered into a registration agreement which provided the purchasers with certain demand and piggyback registration rights. The shareholders agreement and the registration agreement were superseded in connection with the sale of our Series B Preferred Stock. Also on June 11, 1997 we also entered into a consulting agreement with

New World Equities, Inc. Under the agreement New World Equities provided financial consulting services to us. In exchange we paid New World Equities a consulting fee of $3,000 per month. Under the contract we paid New World Equities $21,000 in 1998 and $15,000 in 1997.

On February 2, 1998 we entered into a Series B Preferred Share Purchase Agreement with Blumenstein/Thorne Information Partners I, L.P., and fifteen other investors. Blumenstein/Thorne Information Partners I, L.P. beneficially owns 15.6% of our common stock before the offering, and directors Jack W. Blumenstein and Oakleigh Thorne are co-presidents of Blumenstein/Thorne Information Partners L.L.C., which is the general partner of Blumenstein/Thorne Information Partners I, L.P. Under the agreement we sold a total of 326,833 shares of Series B Convertible Preferred Stock for an aggregate purchase price of $6,000,000. The shares of Series B Preferred Stock will convert into a total of 2,287,831 shares of common stock upon the completion of this offering. In connection with these sales, we entered into an amended and restated shareholders agreement with the Series B Preferred purchasers, our Series A Preferred and our common stockholders. The shareholders agreement provided for the composition of our board and provided each purchaser with certain participation rights in any resale of the Series A or Series B Preferred Stock by the other Series A or Series B stockholders. We also entered into an amended and restated registration agreement which provided the Series A and Series B stockholders with certain demand and piggyback registration rights. The amended and restated shareholders agreement and the amended and restated registration agreement were superseded in connection with the sale of our Series C Preferred Stock. Please see "Description of Capital Stock-- Registration Rights."

On March 4, 1998, Mr. Sigman, our Vice President, Accounts and Services, purchased 104,930 shares of our common stock for $113,624 pursuant to the exercise of warrants. As payment for the shares Mr. Sigman issued us a promissory note. The note has an interest rate of 8% per annum, and is repayable in twenty-four monthly payments of $5,500 beginning March 31, 2000.

On December 21, 1998 we entered into a Series C Preferred Share Purchase Agreement with MediaOne Interactive Services, Inc., Blumenstein/Thorne Information Partners I, L.P., New World Equities, Inc., and six other investors. MediaOne Interactive Services, Inc. is the beneficial owner of 10.1% of our common stock before the offering. Under the agreement we sold a total of 430,540 shares of Series C Convertible Preferred Stock for an aggregate purchase price of $15,000,020 in a series of closings from December 21, 1998 through March 1, 1999. The shares of Series C Preferred Stock will convert into a total of 3,013,780 shares of common stock upon the completion of this offering. In connection with these sales, we entered into an amended and restated shareholders agreement with the Series C Preferred purchasers and our Series A Preferred, Series B Preferred and common stockholders. The agreement designates the composition of our board of directors. Under this agreement, if any stockholder desires to sell all or any portion of his stock, he must first offer to all other stockholders the right to participate in the sale, based on each stockholders' pro-rata stock holdings on a fully-diluted basis. This right of participation terminates upon a sale of shares to the public pursuant to a registration statement or in a transaction pursuant to Rule 144 adopted under the Securities Act. In addition, the entire agreement will terminate upon the consummation of this offering. We also entered

into an amended and restated registration agreement which provided the Series A, Series B and Series C stockholders with certain demand and piggyback registration rights. Please see "Description of Capital Stock--Registration Rights."

During 1998 we paid $35,245 in legal fees to Dorsey & Whitney LLP and we have paid $57,426 in legal fees to that firm thus far in 1999. Robert H. Helmick, Esq., the father of Mr. R. Helmick and Mr. J. Helmick, is a partner of that firm.

We have entered into indemnification agreements with our non-employee directors, Mr. Blumenstein, Mr. Girgenti and Jeri Korshak.

Principal Stockholders

The following table sets forth certain information regarding beneficial ownership of our common stock as of April 30, 1999, and as adjusted to reflect the sale of shares offered hereby, by (1) each of our directors, (2) our Chief Executive Officer, (3) each person (or group of affiliated persons) known by us to beneficially own more than 5% of our common stock and (4) all directors and executive officers as a group.

Unless otherwise indicated, each person named in the table has sole voting power and investment power or shares such power with his or her spouse with respect to all shares of capital stock listed as owned by such person. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to the securities. The number of shares of common stock outstanding used in calculating the percentage for each listed person includes any shares the individual has the right to acquire within 60 days.

		Percent of Ownership	
Name of Beneficial Owner	Number of Shares Beneficially Owned	Before Offering	After Offering
Robert N. Helmick	6,825,000(1)	48.9%	
Jonathan M. Dobrin	280,000(2)	2.0%	
Blumenstein/Thorne Information Partners I, L.P.	2,164,463(3)	15.6%	
MediaOne Interactive Services, Inc.	1,406,433(4)	10.1%	
New World Equities, Inc.	1,376,067(5)	9.6%	
VSI Holding, Inc	703,213(6)	5.0%	
Jack W. Blumenstein	2,164,463(7)	15.6%	
Christopher E. Girgenti	1,376,067(8)	9.6%	
Oakleigh Thorne	2,164,463(9)	15.6%	
Jeri Korshak	--	--	
All directors and executive officers as a group	11,675,230(10)	78.0%	

(1) Consists of 6,790,000 shares held by the Robert N. Helmick Trust and options to purchase 35,000 shares of common stock. The address for Mr. Helmick is 10200 A East Girard Avenue, Denver, Colorado 80231. (2) Includes options to purchase 70,000 shares of common stock. The address for Mr. Dobrin is 10200 A East Girard Avenue, Denver, Colorado 80231. (3) The address for Blumenstein/Thorne Information Partners I, L.P. is P.O. Box 871, Lake Forest, Illinois 60045. (4) The

address for MediaOne Interactive Services, Inc. is 5613 DTC Parkway, Suite 700, Englewood, Colorado 80111. (5) Includes warrants to purchase 462,000 shares of common stock. The address for New World Equities, Inc. is 1603 Orrington Avenue, Suite 1070, Evanston, Illinois 60201. (6) The address for VSI Holding, Inc. is 2100 N. Woodward Ave., Suite 201 West, Bloomfield Hills, Michigan 48304-2263. (7) Consists of shares beneficially owned by Blumenstein/Thorne Information Partners I, L.P. Mr. Blumenstein is a co-President of Blumenstein/Thorne Information Partners L.L.C., the general partner of Blumenstein/Thorne Information Partners I, L.P. Mr. Blumenstein disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest, if any. The address for Mr. Blumenstein is P.O. Box 871, Lake Forest, Illinois 60045. (8) Consists of shares beneficially owned by New World Equities, Inc., of which Mr. Girgenti is a Senior Managing Director. Mr. Girgenti disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest, if any. The address for Mr. Girgenti is 1603 Orrington Avenue, Suite 1070, Evanston, Illinois 60201. (9) Consists of shares beneficially owned by Blumenstein/Thorne Information Partners I, L.P. Mr. Thorne is a co-President of Blumenstein/Thorne Information Partners L.L.C., the general partner of Blumenstein/Thorne Information Partners I, L.P. Mr. Thorne disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest, if any. The address for Mr. Thorne is P.O. Box 871, Lake Forest, Illinois 60045. (10) Includes 402,500 shares issuable upon the exercise of options and 600,600 shares issuable upon the exercise of warrants. See notes 1, 2 and 5 above.

Description of Capital Stock

Upon completion of this offering, our authorized capital stock will consist of 50,000,000 shares of common stock, par value $.01 per share, and 5,000,000 shares of preferred stock, par value $.01 per share.

Prior to completion of this offering, we will reincorporate in Delaware and amend and restate our Certificate of Incorporation. The following summary of certain provisions of the common stock and preferred stock does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the forms of amended and restated Certificate of Incorporation and Amended and Restated Bylaws to be effective upon the completion of this offering.

Common Stock

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   As of the date of this prospectus, assuming conversion of our outstanding
preferred stock there are     shares of common stock outstanding and held of
record by 38 stockholders. There will be     shares of common stock outstanding
upon the closing of this offering.
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Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the board of directors out of funds legally available therefor, subject to any preferential dividend rights of any outstanding preferred stock. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all of our assets

remaining after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of the common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are, and the shares sold in this offering will be, when issued in consideration for payment thereof, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future. Upon completion of this offering, there will be no shares of preferred stock outstanding.

Preferred Stock

Upon completion of this offering, the board of directors will be authorized, without further stockholder approval, to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each such series thereof, including the dividend rights, dividend rates, conversion rights, voting rights, terms of redemption (including sinking fund provisions), redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of such series. We have no present plans to issue any shares of preferred stock.

Warrants

We are a party to certain warrant agreements that entitle the warrant holders to purchase 959,000 shares of common stock at a purchase price of $1.08 per share. All shares of common stock issuable upon exercise of these warrants are entitled to certain registration rights. See "Description of Capital Stock--Registration Rights." The warrants expire if not exercised on or prior to June 11, 2000. The warrants provide the holders with anti-dilution protection under certain circumstances. We are also a party to a warrant agreement that entitles the warrant holder to purchase 60,277 shares of common stock at a purchase price of $4.98 per share. This warrant expires if not exercised on or prior to February 26, 2002. The terms of this warrant are the same as those of the warrants described above.

We are also a party to a warrant agreement that entitles the warrant holder to purchase 10,500 shares of common stock. The exercise price of the warrant is $2.62 per share for fifty percent of the shares of common stock, and $4.98 per share for the remaining fifty percent. In the event that we are acquired by another entity, the warrant holder, at its option, may elect to receive either (i) the consideration to be received by the holders of common stock, or (ii) cash in an amount equal to the difference between the fair market value of the consideration that the warrant holder would otherwise have received and the exercise price of the warrant. The warrant shares are subject to an anti-dilution agreement. In addition, all shares of common stock issuable upon exercise of this warrant are entitled to certain registration rights. See "Description of Capital Stock--Registration Rights."

Options

As of April 30, 1999, options to purchase a total of 1,529,850 shares of common stock were outstanding, all of which are subject to lock-up agreements. Options to purchase a total of 2,800,000 shares of common stock may be granted under the Stock Option Plan. See "Management--Stock

Option Plan" and "Shares Eligible for Future Sale."

Registration Rights

We entered into registration rights agreements with certain of our stockholders. After the completion of this offering, the holders of 6,225,611 shares of common stock issuable upon the conversion of all of the outstanding preferred stock, and warrants to purchase an additional 934,500 shares of common stock, will be entitled to certain demand registration rights with respect to the registration of their registrable securities under the Securities Act. The holders of 30% or more of the registrable securities are entitled to demand that we register their registrable securities under the Securities Act on Form S-1 or any similar long form registration statement. We are not required to effect more than two registrations pursuant to these demand registrations rights. The holders of the of the registrable securities are entitled to demand that we register their registrable securities under the Securities Act on Form S-3 or any similar short form registration statement then available to the Company, provided that the anticipated aggregate offering price of the securities to be registered exceeds $500,000. In addition, the holders of registrable securities are entitled to require us to include their registrable securities in future registration statements that we may file. These registration rights are subject to various conditions and limitations, including the right of the underwriters of an offering to limit the number of registrable securities that may be included in the offering. In addition, holders of all of these shares will be restricted from exercising their demand rights until 180 days after the date of this prospectus. We are generally required to bear all of the expenses of these registrations, except underwriting discounts and selling commissions. Registration of any of the registrable securities held by security holders with registration rights will result in shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration.

Anti-Takeover Effects of Certain Provisions of Delaware Law and the Certificate of Incorporation and Bylaws We are subject to the provisions of Section 203 of the Delaware General Corporation Law (as amended from time to time, the "DGCL"). Subject to certain exceptions, Section 203 of the DGCL prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the interested stockholder attained such status with the approval of the board of directors or unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years did own, fifteen percent (15%) or more of the corporation's voting stock. This statute could prohibit or delay the accomplishment of mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

In addition, certain provisions of the Certificate and Bylaws, which provisions will be in effect upon the closing of this offering and are summarized in the following paragraphs, may be deemed to have an anti- takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a

stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Board of Directors Vacancies The Certificate authorizes the board of directors to fill vacant directorships or increase the size of the board of directors. This may deter a stockholder from removing incumbent directors and simultaneously gaining control of the board of directors by filling the vacancies created by such removal with its own nominees.

Stockholder Action; Special Meeting of Stockholders The Certificate provides that stockholders may not take action by written consent, but only at duly called annual or special meetings of stockholders. The Certificate further provides that special meetings of stockholders of eCollege.com may be called only by the Chairman of the board of directors or a majority of the board of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations The Bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 120 days nor more than 150 days prior to the first anniversary of the date of our notice of annual meeting provided with respect to the previous year's annual meeting of stockholders; provided, that if no annual meeting of stockholders was held in the previous year or the date of the annual meeting of stockholders has been changed to be more than 30 calendar day earlier than or 60 calendar days after such anniversary, notice by the stockholder, to be timely, must be so received not more than 90 days nor later than the later of (i) 60 days prior to the annual meeting of stockholders or (ii) the close of business on the 10th day following the date on which notice of the date of the meeting is given to stockholders or made public, whichever first occurs. The Bylaws also specify certain requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Authorized But Unissued Shares The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval, subject to certain limitations imposed by the Nasdaq National Market. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Transfer Agent and Registrar The transfer agent and registrar for the common stock is American Securities Transfer and Trust, Inc., Denver, Colorado.

Shares Eligible for Future Sale

Prior to this offering, there has not been any public market for the common stock, and no prediction can be made as to the effect, if any, that market sales of shares of common stock or the availability of shares of common stock for sale will have on the market price of the common stock prevailing from time to time. Nevertheless, sales of substantial amounts of common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of the common stock and could impair our future ability to raise capital through the sale of our equity securities.

Upon the closing of this offering, we will have an aggregate of shares of common stock outstanding, assuming no exercise of the underwriters' over- allotment option and no exercise of outstanding options or warrants. Upon the closing of this offering, shares of common stock will be issuable upon exercise of outstanding options and shares of common stock will be issuable upon exercise of outstanding warrants. Of the outstanding shares, the shares sold in this offering will be freely tradable, except that any shares held by our "affiliates" (as that term is defined in Rule 144 promulgated under the Securities Act) may only be sold in compliance with the limitations described below. The remaining 13,685,861 shares of common stock will be deemed "restricted securities" as defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 promulgated under the Securities Act, which rules are summarized below. After taking into account the 180-day lock-up agreements described below and the provisions of Rules 144, 144(k) and 701, additional shares will be available for sale in the public market as follows:

Number of Shares Date 9,010,764..... 180 days after the date of this prospectus 4,955,097..... At various times after 180 days from the date of this prospectus In addition, approximately 12,113,493 of the shares that will become eligible for resale after the expiration of the 180-day lock-up agreements are held by affiliates and therefore will remain subject to the volume limitations and other restrictions of Rule 144.

In general, under Rule 144, as currently in effect, a person (or persons whose shares are required to be aggregated), including an affiliate, who has beneficially owned shares for at least one year is entitled to sell, within any three-month period commencing 90 days after the date of this prospectus, a number of shares that does not exceed the greater of (i) 1% of the then outstanding shares of common stock (approximately shares immediately after this offering) or (ii) the average weekly trading volume in the common stock during the four calendar weeks preceding the date on which notice of such sale is filed, subject to certain restrictions. In addition, a person who is not deemed to have been an affiliate of us 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 would be entitled to sell such shares under Rule 144(k) without regard to the requirements described above. To the extent that shares were acquired from an affiliate of us such person's holding period for the purpose of effecting a sale under Rule 144 commences on the date of transfer from the affiliate.

Rule 701 promulgated under the Securities Act provides that shares of common stock acquired pursuant to written plans such as the 1997 Stock Option Plan may be resold by persons other than affiliates, beginning 90 days after the date of this prospectus, subject only to the manner of sale provisions of Rule 144, and by affiliates, beginning 90 days after the date of this prospectus, subject to all provisions of Rule 144 except its one-year minimum holding period.

All of our directors, officers and stockholders, and our optionholders and warrantholders have agreed that they will not, without the prior written consent of the representatives of the underwriters, sell or otherwise dispose of any shares of common stock or options to acquire shares of common stock during the 180-day period following the date of this prospectus. See "Underwriting."

We intend to file a Form S-8 registration statement under the Securities Act on or immediately after the date of this prospectus to register all shares of common stock issuable under the 1997 Stock Option Plan and our 1999 Employee Stock Purchase Plan. Such registration statement will automatically become effective upon filing.

Accordingly, shares covered by that registration statement will thereupon be eligible for sale in the public markets, unless such options are subject to vesting restrictions or the contractual restrictions described above. See "Management-- 1997 Stock Option Plan" and "--1997 Employee Stock Purchase Plan."

We have agreed not to sell or otherwise dispose of any shares of common stock during the 180-day period following the date of the prospectus, except we may issue, and grant options to purchase, shares of common stock under the Stock Option Plan and we may offer and sell shares of common stock under our Employee Stock Purchase Plan. In addition, we may issue shares of common stock in connection with any acquisition of another company if the terms of such issuance provide that such common stock shall not be resold prior to the expiration of the 180-day period referenced in the preceding sentence. See "Risk Factors--Future sales by our existing stockholders could adversely affect the market price of our common stock."

Following this offering, under certain circumstances and subject to certain conditions, holders of shares of our outstanding common stock will have certain demand registration rights (subject to the 180-day lock-up arrangement described above) to require us to register their shares of common stock under the Securities Act, and they will have certain rights to participate in any future registration of securities by us. These holders are subject to lock-up periods of not more than 180 days following the date of this prospectus or 90 days after any subsequent prospectus. See "Description of Capital Stock--Registration Rights."

Underwriting

We are offering the shares of common stock described in this prospectus through a number of underwriters. NationsBanc Montgomery Securities LLC and Thomas Weisel Partners LLC are the representatives of the underwriters. We have entered into an underwriting agreement with the

representatives. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each of the underwriters has agreed to purchase, the number of shares of common stock listed next to its name in the following table:

Number of Underwriter Shares NationsBanc Montgomery Securities LLC..... Thomas Weisel Partners LLC..... Total.....

The underwriters initially will offer shares to the public at the price specified on the cover page of this prospectus. The underwriters may allow to some dealers a concession of not more than $ per share. The underwriters also may allow, and any other dealers may reallow, a concession of not more than $ per share to some other dealers. If all the shares are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. The common stock is offered subject to a number of conditions, including:

. receipt and acceptance of our common stock by the underwriters; and . the right to reject orders in whole or in part.

We have granted an option to the underwriters to buy up to additional shares of common stock. These additional shares would cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days to exercise this option. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above.

We and all holders of our stock prior to this offering, as well as most holders of stock options, have entered into lock-up agreements with the underwriters. Under those agreements, we and those holders of stock and options may not dispose of or hedge any common stock or securities convertible into or exchangeable for shares of common stock. These restrictions will be in effect for a period of 180 days after the date of this prospectus. At any time and without notice, NationsBanc Montgomery Securities LLC may, in its sole discretion, release all or some of the securities from these lock-up agreements.

We will indemnify the underwriters against certain liabilities, including some liabilities under the Securities Act. If we are unable to provide this indemnification, we will contribute to payments the underwriters may be required to make in respect of those liabilities.

In connection with this offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include:

. short sales;

. stabilizing transactions; and . purchases to cover positions created by short sales.

Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress.

The underwriters also may impose a penalty bid. This means that if the representatives purchase shares in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

The underwriters may engage in activities that stabilize, maintain or otherwise affect the price of the common stock, including:

. over-allotment;

. stabilization;

. syndicate covering transactions; and . imposition of penalty bids.

As a result of these activities, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the Nasdaq National Market, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by this prospectus.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between us and the underwriters. Among the factors to be considered in such negotiations are:

. our history and prospects, and the history and prospects of the industry in which we compete;

. our past and present financial performance;

. an assessment of our management;

. the present state of our development;

. our prospects for future earnings;

. the prevailing market conditions of the applicable U.S. securities market at the time of this offer;

. market valuations of publicly traded companies that we and the representatives believe to be comparable to us; and . other factors deemed relevant.

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 27 filed public offerings of equity securities, of which eleven have been completed, and has acted as a syndicate member in an additional ten 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 pursuant to the underwriting agreement entered into in connection with this offering.

The underwriters have reserved up to 5% of the common stock offered hereby for sale to certain of our employees, directors and friends at the initial public offering price set forth on the cover page of this prospectus. Such persons must commit to purchase no later than the close of business on the day following the date of this prospectus. The number of shares available for sale to the general public will be reduced to the extent such persons purchase these reserved shares.

Legal Matters

The validity of the shares of common stock offered hereby will be passed upon for eCollege.com by Brobeck, Phleger & Harrison LLP, Denver, Colorado. Certain legal matters in connection with this offering will be passed upon for the underwriters by Cooley Godward LLP, Boulder, Colorado.

Experts

The financial statements included in this prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein upon the authority of said firm as experts in accounting and auditing in giving said reports.

Additional Information

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the Securities and Exchange Commission. For further information about us and the common stock offered hereby, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are not necessarily complete, and in each instance reference is made to the copy of such document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. The registration statement (and all amendments, exhibits and schedules thereto) may be inspected without charge at the principal office of the Securities and Exchange Commission in Washington, D.C. and copies of all or any part thereof may be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission at 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549, and at the Securities and Exchange Commission's regional offices located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by mail from the Public Reference Section of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549.

In addition, the Securities and Exchange Commission maintains a Website (http//www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission.

We intend to distribute to our stockholders annual reports containing audited consolidated financial statements.

Ecollege.com (Formerly Real Education, Inc.)

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Report of Independent Public Accountants..... F-2 Balance Sheets..... F-3 Statements of Operations..... F-4 Statements of Stockholders' Deficit..... F-5 Statements of Cash Flows..... F-6 Notes to Financial Statements..... F-7 After the re-incorporation and stock split discussed in Note 11 to the Company's financial statements is effected, we expect to be in a position to render the following audit report.

Arthur Andersen LLP

Denver, Colorado, April 23, 1999.

Report of Independent Public Accountants

To eCollege.com:

We have audited the accompanying balance sheets of eCollege.com (a Delaware corporation, formerly Real Education, Inc.) as of December 31, 1997 and 1998, and the related statements of operations, stockholders' deficit and cash flows for the period from inception (July 26, 1996) to December 31, 1996, and for each of the two years in the period ended December 31, 1998. 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 in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of eCollege.com as of December 31, 1997 and 1998, and the results of its operations and its cash flows for the period from inception (July 26, 1996) to December 31, 1996, and for each of the two years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Denver, Colorado, April 23, 1999 (except with respect to the matters discussed in Note 11, as to which the date is May , 1999).

Ecollege.com (Formerly Real Education, Inc.)

Balance Sheets

DECEMBER 31,		MARCH 31,	PRO FORMA STOCKHOLDERS' EQUITY AT MARCH 31, 1999
1997	1998	1999	(SEE NOTE 2)
		(UNAUDITED)	

ASSETS CURRENT ASSETS: Cash and cash equiva- lents..... $ 208,346 $11,661,186 $ 9,927,383 Accounts receivable, net..... 214,660 258,980 910,733 Accrued revenue re- ceivable..... 10,000 57,885 86,600 Other current assets... 15,550 112,357 173,005 Total current as- sets..... 448,556 12,090,408 11,097,721 PROPERTY AND EQUIPMENT, net..... 299,842 1,569,129 1,720,278 TOTAL ASSETS..... $ 748,398 $13,659,537 $ 12,817,999 LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) CURRENT LIABILITIES: Accounts payable..... $ 229,337 $ 658,643 $ 656,913 Accounts payable re- lated party..... 6,500 -- -- Accrued liabilities.... 79,725 1,284,967 573,305 Deferred revenue..... 35,750 569,599 1,188,498 Current portion of notes payable to re- lated parties..... 39,441 -- -- Total current liabil- ities..... 390,753 2,513,209 2,418,716 OTHER LIABILITIES..... -- 35,900 50,564 NOTES PAYABLE TO RELATED PARTIES..... 230,534 -- -- COMMITMENTS AND CONTIN- GENCIES (Notes 1 and 8) CONVERTIBLE PREFERRED STOCK SUBJECT TO MANDA- TORY REDEMPTION, no par value; Series A; 132,000, 132,000, 132,000 and 0 (unaudited, pro forma) shares autho- rized, issued and outstanding, respec- tively; entitled to preference in liqui- dation (includes cu- mulative preferred return of $55,030, $155,086, $180,098 and $0, respective- ly)..... 1,029,284 1,136,803 1,163,680 $ -- Series B; 0, 326,833, 326,833 and 0 (unau- dited, pro forma) shares authorized, issued and outstand- ing, respectively; entitled to prefer- ence in liquidation (includes cumulative preferred return of $0, $550,060, $700,076 and $0, re- spectively)..... -- 6,534,046 6,685,713 -- Series C; 0, 430,540, 430,540 and 0 (unau- dited, pro forma) shares authorized, respectively; 0, 365,959, 430,540 and 0 shares issued and outstanding, respec- tively; entitled to preference in liqui- dation (includes cu- mulative preferred return of $0, $31,438, $386,680 and $0, respectively)..... -- 11,978,566 14,665,563 -- STOCKHOLDERS' EQUITY (DEFICIT) Common stock, no par value; 50,000,000 shares authorized; 7,350,070, 7,668,500, 7,686,000 and 13,911,611 (unau- dited, pro forma) shares, respectively, issued

and outstand- ing..... 141,376 456,190 468,730 22,983,686 Warrants and options for common stock..... -- 1,626,426 2,572,826 2,572,826 Notes receivable..... -- (341,024) (341,024) (341,024) Deferred compensa- tion..... -- (1,244,007) (2,087,073) (2,087,073) Accumulated deficit.... (1,043,549) (9,036,572) (12,779,696) (12,779,696) Total stockholders' equity (deficit).... (902,173) (8,538,987) (12,166,237) $ 10,348,719 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)..... $ 748,398 $13,659,537 $ 12,817,999 The accompanying notes to financial statements are an integral part of these balance sheets.

eCollege.com (formerly Real Education, Inc.)

Statements of Operations

For the Period From Inception (July 26, 1996) through December 31, 1996	For the Years Ended December 31, 1997	1998	For the Three Months Ended March 31, 1998	1999
				(Unaudited)

REVENUE: Campus and course development fees..... $ -- $ 628,250 $ 1,086,022 $ 155,050 $ 325,010 Student fees..... 22,464 399,930 579,047 93,464 285,947 Total revenue..... 22,464 1,028,180 1,665,069 248,514 610,957 COST OF REVENUE..... 109,974 528,090 2,064,909 236,236 1,187,599 Gross profit (loss).. (87,510) 500,090 (399,840) 12,278 (576,642) OPERATING EXPENSES: Selling and marketing..... 25,474 106,026 3,394,000 237,299 1,320,551 General and administrative..... 248,884 767,812 2,509,496 450,240 716,784 Development..... 60,207 212,052 1,099,000 107,404 633,502 Total operating expenses..... 334,565 1,085,890 7,002,496 794,943 2,670,837 LOSS FROM OPERATIONS.... (422,075) (585,800) (7,402,336) (782,665) (3,247,479) OTHER INCOME (EXPENSE): Interest and other income..... 27,001 8,993 149,308 30,952 119,896 Interest expense..... (9,186) (37,990) (36,819) (1,032) -- NET LOSS FROM CONTINUING OPERATIONS..... (404,260) (614,797) (7,289,847) (752,745) (3,127,583) DISCONTINUED OPERATIONS (Note 5): Income (loss) from operations..... (29,239) 29,249 -- -- -- Gain on disposal of discontinued operations..... -- 34,632 -- -- -- NET LOSS..... $(433,499) $(550,916) $(7,289,847) $(752,745) $(3,127,583) NET LOSS APPLICABLE TO COMMON STOCKHOLDERS: Net loss..... $(433,499) $(550,916) $(7,289,847) $(752,745) $(3,127,583) Dividends on mandatorily redeemable, convertible preferred stock..... -- (55,030) (681,554) (125,025) (530,270) Accretion of mandatorily redeemable, convertible preferred stock..... -- (4,104) (21,622) (2,954) (85,271) NET LOSS APPLICABLE TO COMMON STOCKHOLDERS.... $(433,499) $(610,050) $(7,993,023) $(880,724) $(3,743,124) BASIC AND DILUTED NET LOSS FROM CONTINUING OPERATIONS PER SHARE .. $ -- $ (0.11) $ (1.05) $ (0.12) $ (.49) BASIC AND DILUTED NET LOSS PER SHARE ..... $ -- $ (0.10) $ (1.05) $ (0.12) $ (.49) WEIGHTED AVERAGE SHARES OUTSTANDING--BASIC AND DILUTED..... -- 6,161,946 7,612,045 7,444,549 7,674,345 PRO FORMA NET LOSS FROM CONTINUING OPERATIONS PER SHARE

(UNAUDITED--Note 2): Basic and diluted net loss per share..... $ (0.68) $ (0.08) $ (0.23) Weighted average common shares outstanding--basic and diluted..... 10,680,033 9,792,090 13,899,956 The accompanying notes to financial statements are an integral part of these statements.

Ecollege.com (Formerly Real Education, Inc.)

Statements of Stockholders' Deficit

	COMMON STOCK		WARRANTS AND				
	SHARES	AMOUNT	OPTIONS	NOTES RECEIVABLE	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TOTAL
BALANCES, JULY 26, 1996 (Inception).....	--	$ --	$ --	$ --	$ --	$ --	Net loss..... -- -- -- -- -- (433,499) (433,499) BALANCES, DECEMBER 31, 1996..... -- -- -- -- -- (433,499) (433,499) Issuance of common stock at approximately $0.02 per share..... 560,000 10,800 -- -- -- -- 10,800 Issuance of common stock in February 1997 for services provided..... 6,790,000 130,500 -- -- -- -- 130,500 Common stock issued upon exercise of warrants..... 70 76 -- -- -- -- 76 Dividends accrued on mandatorily redeemable, convertible preferred stock..... -- -- -- -- -- (55,030) (55,030) Accretion of mandatorily redeemable, convertible preferred stock to redemption value..... -- -- -- -- -- (4,104) (4,104) Net loss..... -- -- -- -- -- (550,916) (550,916) BALANCES, DECEMBER 31, 1997..... 7,350,070 141,376 -- -- -- (1,043,549) (902,173) Issuance of common stock upon exercise of warrants and options ..... 318,430 344,814 -- (341,024) -- -- 3,790 Repurchase of warrants for common stock..... -- (30,000) -- -- -- -- (30,000) Deferred compensation.. -- -- 1,443,542 -- (1,443,542) -- -- Amortization of deferred compensation..... -- -- -- -- 199,535 -- 199,535 Warrants for common stock issued in connection with bridge loan..... -- -- 27,819 -- -- -- 27,819 Warrants for common stock issued in connection with Series C preferred stock..... -- -- 155,065 -- -- -- 155,065 Dividends accrued on mandatorily redeemable, convertible preferred stock..... -- -- -- -- -- (681,554) (681,554) Accretion of mandatorily redeemable, convertible preferred stock to redemption value..... -- -- -- -- -- (21,622) (21,622) Net loss..... -- -- -- -- -- (7,289,847) (7,289,847) BALANCES, DECEMBER 31, 1998..... 7,668,500 456,190 1,626,426 (341,024) (1,244,007) (9,036,572) (8,538,987) Issuance of common stock upon exercise of options (Unaudited)... 17,500 12,540 -- -- -- -- 12,540 Deferred compensation (Unaudited)..... -- -- 946,400 -- (946,400) -- -- Amortization of deferred compensation (Unaudited)..... -- -- -- -- 103,334 -- 103,334 Dividends accrued on mandatorily redeemable, convertible preferred stock (Unaudited)..... -- -- -- -- -- (530,270) (530,270) Accretion of mandatorily redeemable, convertible preferred stock to redemption value (Unaudited)..... -- -- -- -- -- (85,271) (85,271) Net loss (Unaudited)... -- -- -- -- -- (3,127,583) (3,127,583) BALANCES, MARCH 31, 1999 (UNAUDITED)..... 7,686,000	$468,730	$2,572,826	$(341,024)	$(2,087,073)	$(12,779,696)	$(12,166,237)

The accompanying notes to financial statements are an integral part of these statements.

Ecollege.com (Formerly Real Education, Inc.)

Statements of Cash Flows

	FOR THE PERIOD FROM INCEPTION (JULY 26, 1996) THROUGH DECEMBER 31, 1996	FOR THE YEARS ENDED DECEMBER 31, 1997	1998	FOR THE THREE MONTHS ENDED MARCH 31, 1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES: (UNAUDITED)					
Net loss	$(433,499)	$ (550,916)	$ (7,289,847)	$ (752,745)	$ (3,127,583)
Adjustments to reconcile net loss to net cash used in operating activities-					
Depreciation and amortization	18,376	126,199	393,841	66,908	176,602
Provision for doubtful accounts	--	--	9,800	--	--
Gain on disposal of discontinued operations	--	(34,632)	--	--	--
Common stock issued for services	--	65,250	--	--	--
Deferred compensation	--	--	199,535	--	103,334
Noncash interest expense	--	--	27,819	--	--
Change in-					
Accounts receivable and accrued revenue receivables	(14,433)	(190,607)	(102,005)	24,630	(680,468)
Other current assets	(1,399)	(14,151)	(96,807)	(31,868)	(60,648)
Accounts payable and accrued liabilities	112,379	268,433	972,048	9,245	(57,392)
Deferred revenue	35,000	750	533,849	88,206	618,899
Other liabilities	--	--	35,900	8,104	14,664
Net cash used in operating activities	(283,576)	(329,674)	(5,315,867)	(587,520)	(3,012,592)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	(53,090)	(369,653)	(1,663,128)	(420,619)	(327,751)
Proceeds from sale of ColoradoNet	--	200,000	--	--	--
Purchase of ColoradoNet, net of cash acquired	(77,662)	--	--	--	--
Net cash used in investing activities	(130,752)	(169,653)	(1,663,128)	(420,619)	(327,751)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of preferred stock	--	1,000,000	18,750,020	6,000,000	2,250,000

Proceeds from bridge loan.....	--	--	500,000	--	--
Payments on bridge loan.....	--	--	(500,000)	--	--
Payments on notes payable.....	--	(129,000)	--	--	--
Proceeds from notes payable to related parties.....	434,465	120,812	--	--	--
Payments on notes payable to related parties...	--	(285,302)	(269,975)	(3,421)	--
Payment of stock issuance costs.....	--	(29,850)	(22,000)	(22,000)	(656,000)
Repurchase of warrants.....	--	--	(30,000)	(30,000)	--
Proceeds from issuance of common stock.....	--	10,876	3,790	--	12,540
Net cash provided by financing activities..	434,465	687,536	18,431,835	5,944,579	1,606,540
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	20,137	188,209	11,452,840	4,936,440	(1,733,803)
CASH AND CASH EQUIVALENTS, beginning of year....	--	20,137	208,346	208,346	11,661,186
CASH AND CASH EQUIVALENTS, end of year.....	$ 20,137	$ 208,346	$ 11,661,186	$5,144,786	$ 9,927,383
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for interest.....	$ --	$ 47,176	$ 9,000	$ 1,032	$ --
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:					
Dividends accrued on Series A, B and C mandatorily redeemable, convertible preferred stock.....	$ --	$ 55,030	$ 681,554	$ 125,025	$ 530,270
Accretion on Series A, B and C mandatorily redeemable, convertible preferred stock.....	$ --	$ 4,104	$ 21,622	$ 2,954	$ 85,271
Common stock issued for accrued services payable.....	$ --	$ 65,250	$ --	$ --	$ --
Issuance of note payable in connection with acquisition.....	$ 129,000	$ --	$ --	$ --	$ --
Warrants issued for offering costs.....	$ --	$ --	$ 155,065	$ --	$ --
Accrued offering costs.....	$ --	$ --	$ 656,000	$ --	$ --
Common stock issued in exchange for notes receivable.....	$ --	$ --	$ 341,024	$ --	$ --

The accompanying notes to financial statements are an integral part of these statements.

Notes to Financial Statements

December 31, 1997 and 1998 (Information as of and for the Three Months Ended March 31, 1998 and 1999 is Unaudited) (1) Organization and Nature of Business eCollege.com (the "Company," formerly Real Education, Inc. and Real Information Systems, Inc.) was organized and incorporated in the state of Colorado on July 26, 1996. As discussed in Note 11, the Company expects to file for reincorporation in the State of Delaware. The Company is a leading provider of a complete solution that enables colleges and universities to deliver an online campus and courses over the Internet. The Company's integrated software and services allow colleges and universities to outsource the creation, launch, management and support of comprehensive online campuses and courses. The Company's services include campus and course design, development, hosting, maintenance and customer support services.

The Company is subject to various risks and uncertainties frequently encountered by companies in the early stages of development, particularly companies in the new and rapidly evolving market for Internet-based products and services. Such risks and uncertainties include, but are not limited to, its limited operating history, evolving and unpredictable technology and market demands and the management of rapid growth. To address these risks, the Company must, among other things, maintain and increase its customer base, implement and successfully execute its business and marketing strategy, continue to develop and upgrade its technology, provide superior customer service and attract, retain and motivate qualified personnel. There can be no guarantee that the Company will be successful in addressing such risks.

The Company's current business plan contemplates significant growth. Such growth will likely result in a period in which the Company reports losses and cash used in operations, which could result in the Company seeking external financing. Management believes that cash on hand and other sources of liquidity at March 31, 1999 are sufficient to fund the Company's operations through at least March 31, 2000, albeit at significantly lower levels of activities.

(2) Summary of Significant Accounting Policies Interim Financial Statements (Unaudited) The interim financial statements for the three months ended March 31, 1998 and 1999, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire year. In addition, our results of operations in interim periods will fluctuate due to the seasonality inherent in the academic calendar.

Use of Estimates in the Preparation of Financial Statements The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions may 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.

eCollege.com (formerly Real Education, Inc.)

NOTES TO FINANCIAL STATEMENTS--(Continued) Cash and Cash Equivalents The Company considers investments in highly liquid instruments purchased with an original maturity of 90 days or less to be cash equivalents. Such investments are held in money market accounts whose costs approximate their fair market values.

Revenue Recognition

The Company generates revenue primarily from two sources--campus and course development revenue and per-course student fees.

Online campus and course design and development services are generally conducted under fixed price contracts, and revenue is recognized using the percentage of completion method. Frequently, customers will elect to add courses in addition to those under the initial contract, and the Company recognizes revenue related to these courses as the courses are completed. Revenues from online campus and course design and development contracts are recognized on the percentage of completion method for individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. Revenues are recognized in the ratio that hours incurred bear to total estimated hours at completion. The Company's use of the percentage of completion method of revenue recognition requires estimates of percentage of project completion. Changes in job performance, estimated profitability and final contract settlements may result in revisions to the estimated degree of completion and corresponding revenue in the period in which the revisions are determined. Provisions for any estimated losses on uncompleted contracts are made in the period in which such losses are determinable. Contract costs include all labor costs directly related to contract performance.

Revenue that is recognized is reflected as accrued revenue receivable to the extent that the customer has not yet been billed for such services. The Company records deferred revenue for amounts received from customers in excess of the revenue that has been earned.

The Company also generates student fee revenue when students sign up for online courses developed by the Company for its customers at an agreed upon price with the customer. This student fee revenue is recognized ratably over the period the course is delivered.

Costs and Estimated Earnings on Uncompleted Contracts December 31, 1997 1998

Costs incurred on uncompleted contracts.....	$ 152,750	$ 607,750
Estimated earnings.....	16,500	5,136
	169,250	612,886
Less: Billings to date.....	(195,000)	(1,104,000)
	$ (25,750)	$ (491,114)
Included in accompanying balance sheets under the following captions:		
Accrued revenue receivable.....	$ 10,000	$ 57,885
Deferred revenue--development.....	(35,750)	(548,999)
	$ (25,750)	$ (491,114)

In addition to the amounts disclosed above, at December 31, 1998 the Company had $20,600 of deferred revenue related to student fees.

eCollege.com (formerly Real Education, Inc.)

NOTES TO FINANCIAL STATEMENTS--(Continued) Accounts Receivable The Company maintains an allowance for doubtful accounts based upon the expected collectibility of accounts receivable. At December 31, 1997 and 1998, the allowance for doubtful accounts was approximately $0 and $10,000, respectively.

Concentration of Credit Risk Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company has no significant off-balance sheet concentrations of credit risk, such as foreign exchange contracts, option contracts or other foreign currency hedging arrangements. The Company maintains its cash balances in the form of bank demand deposits and money market accounts with financial institutions that management believes are creditworthy. Accounts receivable are typically unsecured and are derived from transactions with and from educational institutions primarily located in the United States. Accordingly, the Company may be exposed to credit risk generally associated with educational institutions. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses.

As discussed in Note 9, the Company had one customer in 1996, two customers in 1997 and one customer in 1998 that accounted for more than 10% of revenue. In addition, as of December 31, 1997 and 1998, the Company had five and four customers, respectively, that individually accounted for more than 10% of accounts receivable. These customers in the aggregate accounted for 99% and 53% of accounts receivable balances at December 31, 1997 and 1998, respectively. The loss of such customers could result in a significant reduction of revenues.

Property and Equipment Property and equipment are stated at cost and depreciation is provided using the straight-line method, generally over estimated useful lives of three to five years. Maintenance and repairs are expensed as incurred and major additions, replacements and improvements are capitalized.

Leasehold improvements are amortized using the straight-line method over the shorter of the useful life or the life of the lease.

The components of property and equipment are as follows:

1997 1998

Computer equipment	$ 308,795	$1,609,401
Office furniture and equipment	19,805	349,305
Leasehold improvements	90,649	123,671
	419,249	2,082,377
Less: Accumulated depreciation and amortization...	(119,407)	(513,248)
	$ 299,842	$1,569,129

Impairment of Long-Lived Assets The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company evaluates the recoverability of its long-lived assets based on estimated undiscounted future cash flows and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset.

eCollege.com (formerly Real Education, Inc.)

NOTES TO FINANCIAL STATEMENTS--(Continued) Fair Value of Financial Instruments The Company's financial instruments consist of cash equivalents, short-term trade receivables and payables, and notes payable. The carrying values of the cash equivalents and short-term trade receivables and payables approximate their fair values. Based on borrowing rates currently used by the Company for financing, the carrying value of the notes payable approximates estimated fair value. Financial instruments also consist of convertible preferred stock subject to mandatory redemption, whose fair value at December 31, 1997 and 1998, was approximately $1.2 million and $28.7 million, respectively. Such values were estimated based upon the estimated value of the common stock into which such preferred stock could be converted.

Income Taxes

The current provision for income taxes represents actual or estimated amounts payable on tax return filings each year. Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying balance sheets, and for operating loss and tax credit carryforwards. The change in deferred tax assets and liabilities for the period measures the deferred tax provision or benefit for the period. Effects of changes in enacted tax laws on deferred tax assets and liabilities are reflected as adjustments to the tax provision or benefit in the period of enactment. The Company's deferred tax assets have been completely reduced by a valuation allowance because management does not believe realization of the deferred tax asset is sufficiently assured at each balance sheet date (Note 10).

Development

Costs incurred in the development of new software and enhancements to existing software and services are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred and are included in sales and marketing expense in the accompanying statements of operations. Advertising expense for each of the periods presented in the accompanying statement of operations related to continuing operations is as follows:

For the Year Ended December 31,		For the Three Months Ended March 31,	
1997	1998	1998	1999
		(Unaudited)	
$ 18,000	$ 1,097,000	$41,000	$281,000

For the period from inception to December 31, 1996, approximately $9,000 of advertising expense was incurred in connection with discontinued operations.

Stock-Based Compensation The Company accounts for its employee stock option plans and other stock- based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB Opinion No. 25"), and related interpretations. The Company adopted the disclosure-only provisions of Statement of Financial

Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," which allows entities to continue to apply the provisions of APB Opinion No. 25 for transactions with employees and provide pro forma disclosures for employee stock grants made in 1997 and future years as if the fair-value-based method of accounting in SFAS No. 123 had been applied to these transactions. The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123.

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NOTES TO FINANCIAL STATEMENTS--(Continued) Stock Split Upon the reincorporation of the Company discussed in Note 11, the Company will effect a seven-for-one split of its common stock, and change its authorized common stock to 50,000,000 shares and preferred stock to 5,000,000 shares. In connection with the common stock split, the Company will change its conversion ratios on the preferred stock to reflect the split. All references in the accompanying financial statements to the number of common shares have been retroactively restated to reflect the common stock split, the increase in the authorized common and preferred stock and the change in the preferred stock conversion ratios.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss available to common shareholders for the period by the weighted average number of common shares outstanding for the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and potential common shares outstanding during the period if the effect of the potential common shares is dilutive. The Company has excluded the weighted average effect (using the treasury stock method) of common stock issuable upon conversion of all convertible preferred stock, warrants and stock options from the computation of diluted earnings per share as the effect of all such securities is anti-dilutive for all periods presented. The shares excluded are as follows:

For the years ended December 31, 1997..... 581,875 1998..... 4,341,694 For the three months ended March 31, 1998 (unaudited)..... 3,298,155 1999 (unaudited)..... 8,368,710 At December 31, 1998, the Company had issued rights to 8,647,338 shares of common stock under such agreements.

Net loss from continuing operations per share is calculated as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	1997	1998	1998	1999
Numerator: (Unaudited) Net loss from continuing operations.....	$ (614,797)	$ (7,289,847)	$(752,745)	$ (3,127,583)
Dividends on mandatorily redeemable, convertible preferred stock.....	(55,030)	(681,554)	(125,025)	(530,270)
Accretion of mandatorily redeemable, convertible preferred stock.....	(4,104)	(21,622)	(2,954)	(85,271)
Net loss from continuing operations applicable to common shareholders.....	$ (673,931)	$ (7,993,023)	$(880,724)	$ (3,743,124)
Denominator: Weighted average shares outstanding.....	6,161,946	7,612,045	7,444,549	7,674,345

The Company was incorporated

in 1996 without capital contributions. As of December 31, 1996, no shares of common stock were outstanding. Therefore, no earnings per share amounts have been reflected for the period from inception to December 31, 1996.

eCollege.com (formerly Real Education, Inc.)

NOTES TO FINANCIAL STATEMENTS--(Continued) Pro Forma Stockholders' Equity (Unaudited) Effective upon the closing of the Company's planned initial public offering, the outstanding shares of Series Preferred (as defined below) will automatically convert into 6,225,611 shares of common stock. The pro forma effects of these transactions are unaudited and have been reflected in the accompanying pro forma balance sheet at March 31, 1999.

Pro Forma Net Loss Per Share (Unaudited) Pro forma net loss per share for the year ended December 31, 1998 is computed using the net loss and weighted average number of common shares outstanding, including the pro forma effects of the assumed conversion of the Company's Series A, B and C convertible preferred stock into shares of the Company's common stock as if such conversion occurred on January 1, 1998, or at date of original issuance, if later. The resulting pro forma adjustment includes an increase in the weighted average shares used to compute basic and diluted net loss per share of approximately 3,067,988, 2,347,541 and 6,225,611 shares for the year ended December 31, 1998 and for the three months ended March 31, 1998 and 1999, respectively, and pro forma entries to eliminate preferred stock dividend accruals and accretion charges for each period. The pro forma effects of these transactions are unaudited.

Comprehensive Income

Effective January 1, 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income, as defined, includes all changes in equity (net assets) during a period from non-owner sources. Since inception, comprehensive loss has been the same as net loss.

Segment Information

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement establishes standards for the way companies report information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. In accordance with the provisions of SFAS No. 131, the Company has determined that it has one reportable operating segment at December 31, 1998.

Start-Up Activities

Effective January 1, 1998, the Company adopted Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities." In general, SOP 98-5 requires costs of start-up activities and organization costs to be expensed as incurred. Initial application of SOP 98-5 is reported as the

cumulative effect of a change in accounting principle. The adoption of SOP 98-5 did not have a material impact on the Company's financial position or results of its operations.

Recent Accounting Pronouncements In March 1998, the American Institute of Certified Public Accountants issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which provides guidance on accounting for the cost of such software. SOP 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998. The adoption of SOP 98-1 did not have a material impact on the Company's financial statements.

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NOTES TO FINANCIAL STATEMENTS--(Continued) In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company is required to adopt SFAS No. 133 in the year ended December 31, 2000. SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. To date, the Company has not entered into any derivative financial instruments or hedging activities.

Reclassifications

Certain prior years balances were reclassified to conform to current year presentation.

(3) Convertible Preferred Stock Subject to Mandatory Redemption A summary of the Company's mandatorily redeemable, convertible preferred stock is presented in the table below:

	Series A		Series B		Series C	
	Shares	Amount	Shares	Amount	Shares	Amount

Balances, December 31, 1996 -- $ -- -- $ -- -- $ -- Issuance of Series A mandatorily redeemable, convertible preferred stock in May 1997 for cash of approximately $7.58 per share, net of stock issuance costs of $29,850..... 132,000 970,150 -- -- -- -- Dividends accrued..... -- 55,030 -- -- -- -- Accretion to redemption value..... -- 4,104 -- -- -- -- Balances, December 31, 1997..... 132,000 1,029,284 -- -- -- -- Issuance of Series B mandatorily redeemable, convertible preferred stock in February 1998 for cash of approximately $18.36 per share, net of stock issuance costs of $22,000..... -- -- 326,833 5,978,000 -- -- Issuance of Series C mandatorily redeemable, convertible preferred stock in December 1998 for cash of approximately $34.84 per share, net of stock issuance costs of $811,065..... -- -- -- -- 365,959 11,938,955 Dividends accrued..... -- 100,056 -- 550,060 -- 31,438 Accretion to redemption value..... -- 7,463 -- 5,986 -- 8,173 Balances, December 31, 1998..... 132,000 1,136,803 326,833 6,534,046 365,959 11,978,566 Issuances of Series C mandatorily redeemable, convertible preferred stock in January, February and March 1999 for cash of approximately $34.84 per share (unaudited)..... -- -- -- -- 64,581 2,250,000 Dividends accrued (unaudited)..... -- 25,012 -- 150,016 -- 355,242 Accretion to redemption value (unaudited)..... -- 1,865 -- 1,651 -- 81,755 Balances, March 31, 1999 (unaudited)..... 132,000 $1,163,680 326,833 $6,685,713 430,540 $14,665,563 Under the Company's articles of incorporation, the Company is authorized to issue 889,373 shares of preferred stock. Shares of preferred stock may be issued from

time to time in one or more series, with designations, rights, preferences and limitations established by the Company's Board of Directors. As of December 31, 1998, the Company has the following shares of preferred stock authorized for issuance:

	Shares Outstanding	Liquidation, Redemption Value per Share	Annual Dividend Rate
Series A mandatorily redeemable, convertible preferred stock (Series A)	132,000	$ 7.58	$0.758
Series B mandatorily redeemable, convertible preferred stock (Series B)	326,833	$18.36	$1.836
Series C mandatorily redeemable, convertible preferred stock (Series C)	365,959	$34.84	$3.484

Dividends Dividends accrue at an annual rate of ten-percent of the face value of the preferred stock. Dividends accrue whether or not they have been declared, are cumulative, and in addition, to the extent there are unpaid dividends, dividends are payable on such unpaid dividends. If at any time the Company pays less than the total amount of dividends then accrued with respect to the Series A, Series B and Series C (collectively, the "Preferred Stock"), such payment will be distributed first to the holders of the Series C on a pro rata basis, second to the holders of the Series B and then to holders of Series A. No dividends may be paid to junior classes of the Company's capital stock if there are unpaid Preferred Stock dividends. Further, if dividends or other distributions are declared for the holders of the Company's common stock, holders of Preferred Stock are entitled to participate on an as-if-converted to common stock basis. As of December 31, 1998, $155,086, $550,060 and $31,438 has been accumulated for dividends on Series A, Series B and Series C, respectively.

Liquidation Preference Holders of Series C are entitled to a preference of $34.84 per share (an aggregate of approximately $15 million), plus accrued and unpaid dividends, upon any liquidation, dissolution or winding up of the Company before distribution or payment is made upon Series A, Series B or the Company's common stock. Holders of Series B are entitled to a preference of $18.36 per share (an aggregate of approximately $6 million), plus accrued and unpaid dividends, upon any liquidation, dissolution or winding up of the Company before distribution or payment is made upon Series A or the Company's common stock. Holders of Series A are entitled to a preference of $7.58 per share (an aggregate of approximately $1 million), plus accrued and unpaid dividends upon the occurrence of such events. Remaining proceeds, if any, from such events are allocable to the holders of the Company's common stock. Holders of Preferred Stock have the option to have the proceeds from such events allocated to them as common stockholders on an as-if-converted to common stock basis.

Mandatory Redemption

The Preferred Stock outstanding as of December 31, 1998 is subject to redemption at the following dates:

	Series A	Series B	Series C	Total

June 15 -				
2001	$ 385,215	$2,183,571	$ 4,260,486	$ 6,829,272
2002	385,215	2,183,571	4,260,486	6,829,272
2003	385,216	2,183,572	4,260,486	6,829,274
Total	1,155,646	6,550,714	12,781,458	20,487,818
Less: Unaccreted issuance costs	(18,843)	(16,668)	(802,892)	(838,403)
	$1,136,803	$6,534,046	$11,978,566	$19,649,415

NOTES TO FINANCIAL STATEMENTS--(Continued) If the Preferred Stock is still outstanding at June 1, 2001, holders of the Preferred Stock may require redemption of all or a portion of their stock on or before June 15, 2001. The redemption amount per share is $7.58, $18.36 and $34.84 for the Series A, Series B and Series C, respectively, plus accrued and unpaid dividends. The redemption will be made in three equal annual redemptions. If the Preferred Stock is outstanding at June 1, 2002, then on or before June 15, 2002, holders of Preferred Stock may require redemption of all or a portion of their preferred shares. The redemption price upon such election is the greater of $7.58, $18.36 and $34.84 for the Series A, Series B and Series C per share, respectively, plus accrued and unpaid dividends or the market value of the Preferred Stock.

Accretion

The difference between the redemption price and the recorded value, which is net of the offering costs of $29,850, $22,000 and $811,065 for Series A, Series B and Series C, respectively, is being accreted to the earliest possible redemption date.

Voting Rights

The Preferred Stock is entitled to vote on an as-if-converted to common stock basis.

Conversion Rights

At any time, any holder may convert all or any portion of such shares into common stock at a rate of seven shares of common stock per one share of preferred stock. The conversion price is subject to adjustment to prevent dilution based on criteria defined in the articles of incorporation. Upon conversion, accrued and unpaid dividends are not paid or converted and are extinguished. Each share of Preferred Stock is subject to a mandatory conversion to common stock at the conversion price in effect at that time immediately upon the closing of a public offering which meets certain conditions.

Warrants

In connection with the sale of Series C, the Company issued 60,277 warrants to purchase one share of the Company's common stock for approximately $4.98. Upon issuance, the warrants had a value totaling $155,065, which has been reflected as a cost of the offering. The warrants vest immediately and are exercisable for a period of three years. As of December 31, 1998, none of the warrants have been exercised. In addition, the Company incurred $656,000 of direct costs in connection with the issuance of Series C.

In connection with the sale of Series A, the Company issued 924,000 warrants to purchase one share of the Company's common stock for approximately $1.08. The warrants vest immediately and are exercisable for a period of three years. Based upon the fair market value of the common stock at the date of issuance, the fair value of the warrants was determined to be immaterial. As of December 31, 1998, none of the warrants have been exercised.

(4) Stockholders' Equity Common Stock In February 1997, the Company issued 560,000 shares of common stock for cash of approximately $0.02 per share. In 1998, an individual exercised options for 3,500 shares of common stock for cash of approximately $1.08 per share.

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NOTES TO FINANCIAL STATEMENTS--(Continued) Noncash Common Stock Issuance In February 1997, the Company issued 6,790,000 shares of common stock for services provided during formation of the Company, a portion of which was accrued at December 31, 1996. The Company recorded the stock at its fair market value of approximately $0.02 per share, which approximated the value of the services rendered with the corresponding expense being recorded in the Company's statement of operations over the period that the services were provided.

Warrants

In June 1997, the Company issued warrants for 420,000 shares of common stock with an exercise price of approximately $1.08. The warrants vested immediately and are exercisable for a period of three years. In 1997, the Company issued 70 shares of common stock upon the exercise of warrants in return for cash consideration totaling $76. During 1998, the Company issued 314,930 shares of common stock upon the exercise of such warrants. The employees issued notes for the purchase price of the common stock received upon exercise of the warrants. These notes receivable, totaling $341,024 at December 31, 1998, are reflected as a reduction of stockholders' equity. Interest on the loans is at a rate of 8% per annum, and the principal and the accrued and unpaid interest is due in twenty-four monthly payments, beginning on March 31, 2000. The loans are due in full on February 28, 2002. The loans are full recourse loans and are secured by the underlying shares of common stock. The Company also issued security buy- sell agreements in connection with these loans which place restrictions on the transfer of ownership interests, as defined in the agreement. These agreements will be removed upon completion of the offering discussed in Note 11.

During 1998, the Company repurchased 70,000 warrants issued to an employee of the Company for $30,000, their intrinsic value on the date of purchase. As of December 31, 1998, 35,000 of the original 420,000 warrants remained outstanding.

In November 1998, the Company obtained a $500,000 bridge loan from a bank. In connection with the bridge loan, the Company issued 10,500 warrants to the bank. Fifty-percent of the warrants have a strike price of $2.62 and fifty- percent have a strike price of $4.98. The value of the warrants at the date of issuance was approximately $28,000, which is included in interest expense in the

accompanying statement of operations for the year ended December 31, 1998. The warrants were valued using the Black-Scholes pricing model, assuming volatility of 70%, risk free interest rate of 5.0%, no expected dividends and a life of five years.

Employee Stock Option Grants During 1997, the Company adopted the 1997 Stock Option Plan ("the Plan") under which the Company is authorized to grant incentive and non-qualified stock options to acquire up to 1,645,000 shares of the Company's common stock to employees and directors of the Company. Options granted vest over various terms, with a maximum vesting period of five years, and expire after a maximum of 6 years. The Company accounts for the Plan under APB Opinion No. 25, under which the Company has recorded deferred compensation of $1,443,542 during 1998 and an additional $946,400 during the three months ended March 31, 1999 (unaudited) which, will be amortized over the period that services are provided to the Company. During 1998, the Company recognized $199,535 of such compensation. During the three months ended March 31, 1998 and 1999, the Company recognized $17,188 and $103,334 of such compensation, respectively (unaudited).

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NOTES TO FINANCIAL STATEMENTS--(Continued) The following table summarizes the Plan at December 31, 1997 and 1998, and activity during the years then ended:

	1997		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	--	$ --	770,700	$ 1.01
Granted	770,700	1.01	684,250	1.41
Forfeited or canceled	--	--	(143,500)	(1.16)
Exercised	--	--	(3,500)	(1.08)
Outstanding, end of year	770,700	$1.01	1,307,950	$ 1.20
Exercisable, end of year	105,000	$1.19	399,350	$ 1.04
Weighted average fair value of options granted during the year		$0.21		$ 2.20

The status of stock options outstanding and exercisable under the Plan as of December 31, 1998 is as follows:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$0.36-$0.39	133,000	3.34	$ .36	66,500	$ .36
$1.08-$1.19	550,200	4.90	1.15	318,850	1.17
$1.43	624,750	5.88	1.43	14,000	1.43
	1,307,950	5.21	$1.20	399,350	$1.04

In addition, during March 1997 the Company issued options for 84,000 shares of common stock outside of the Plan with an exercise price of $0.39. All such options are fully vested at March 31, 1999.

Pro Forma Fair Value Disclosures The fair value of each option grant is calculated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Year ended December 31, 1997 1998

Risk-free interest rate	5.8%	5.0%
Expected dividend yield	0%	0%
Expected lives outstanding	2.0 years	2.9 years
Expected volatility	0.001%	0.001%

Cumulative compensation costs recognized in pro forma net income or loss with respect to options that are forfeited prior to vesting are adjusted as a reduction of pro forma compensation expense in the period of forfeiture.

NOTES TO FINANCIAL STATEMENTS--(Continued) Had compensation cost for the Plan been determined consistent with SFAS No. 123, the Company's net loss would have been increased to the following pro forma amounts for the years ended December 31, 1997 and 1998:

1997 1998

Net loss applicable to common stockholders: As reported..... $(610,050) $(7,993,023) Pro forma..... $(617,580) $(8,028,721) Basic and diluted net loss per share: As reported..... $ (0.10) $ (1.05) Pro forma..... $ (0.10) $ (1.05) (5) Discontinued Operations Pursuant to a Stock Purchase Agreement dated August 5, 1996, the Company acquired Brecknet Internet Services, Inc. ("ColoradoNet"), an Internet access provider for cash of $80,000 and a note payable of $129,000. The acquisition was accounted for in accordance with the purchase method of accounting, and accordingly, a new basis of accounting for the assets acquired was established as of August 5, 1996, based on the fair market value of the assets acquired. The purchase price was allocated as follows:

Fair Value of Net Assets Acquired

Cash	$ 2,338
Accounts receivable	19,620
Furniture, fixtures and equipment	37,196
Leasehold improvements	7,295
Cost in excess of identifiable assets acquired	142,551
Total cost of purchased assets	$209,000

On March 24, 1997, the Board of Directors approved the disposition of ColoradoNet, as the Company determined that such business did not compliment its primary business focus of Internet education. Pursuant to an Asset Purchase Agreement dated May 30, 1997, the Company sold substantially all of the net assets of ColoradoNet for cash of $200,000 to a third party. The gain on the sale of this discontinued operation was $34,632.

Total revenue for ColoradoNet during the Company's operation of the business was $90,512 and $137,055 in 1996 and 1997, respectively.

NOTES TO FINANCIAL STATEMENTS--(Continued) (6) Notes Payable To Related Parties As of December 31, 1997, notes payable to related parties consisted of the following:

Unsecured note payable to related party, interest payable on a quarterly basis at 8% per annum, principal payments equal to one-sixteenth of the outstanding principal amount at December 31, 1997, payable in 16 quarterly installments beginning June 30, 1998 and ending March 31, 2002..... $193,277 Unsecured note payable to officer of the Company, interest and principal due in monthly installments of $1,868, at 10.25% per annum, matures March 10, 2002..... 76,698 269,975 Less: Current portion..... (39,441) Long-term portion of notes payable to related parties..... $230,534 On April 7, 1998, the Company repaid the $193,277 note payable to a related party. On April 17, 1998, the Company repaid the $76,698 note payable to a related party.

Interest expense for the period from inception to December 31, 1996 and for the years ended December 31, 1997 and 1998 was $9,186, $37,990 and $36,819, respectively. Interest expense for the year ended December 31, 1998 includes $27,819 related to warrants for common stock issued in connection with the bridge loan (Note 4).

(7) Other Related Party Transactions The Company engaged the brother of the chief executive officer to provide legal services to the Company. For the years ended December 31, 1997 and 1998, the Company incurred approximately $39,000 and $16,400 in legal expenses to this related party. As of December 31, 1997, the Company owed approximately $6,500 to this related party for legal services performed.

On February 14, 1997, an officer of the Company extended a loan to the Company in the amount of $25,000 to fund operations. The note was repaid on May 29, 1997.

(8) Commitments And Contingencies Operating Lease Obligations The Company leases its office space under a noncancellable operating lease agreement which expires in July 2002. Future minimum lease obligations as of December 31, 1998 are as follows:

Year ending December 31-	
1999	$ 564,467
2000	671,811
2001	462,858
2002	26,925
	$1,726,061

 Rent expense for the period from inception to December 31, 1996 and for the years ended December 31, 1997 and 1998 was $14,002, $57,426 and $331,219, respectively.

Legal Matters

The Company is exposed to asserted and unasserted legal claims encountered in the normal course of business. Management believes that the ultimate resolution of such matters will not have a material adverse effect on the operating results or the financial position of the Company.

(9) Major Customers

Below is a listing of major customers, each of which comprised more than 10% of revenue for the period from inception to December 31, 1996 and for the years ended December 31, 1997 and 1998:

	1996		1997		1998	
	Amount	%	Amount	%	Amount	%

Customer 1..... $20,944 93% $637,690 62% $346,382 21% Customer 2..... $ -- -- $157,240 15% $121,560 7% As of December 31, 1998, Customer 1 owed the Company $9,000 related primarily to course development fees.

(10) Income Taxes

Components of the income tax provision applicable to federal and state income taxes are as follows:

1996 1997 1998

Current benefit:			
Federal	$ --	$ --	$ --
State	--	--	--
Total	--	--	--
Deferred benefit:			
Federal	(146,818)	(184,891)	(2,401,048)
State	(14,250)	(17,945)	(233,043)
Total	(161,068)	(202,836)	(2,634,091)
Total tax benefit	(161,068)	(202,836)	(2,634,091)
Valuation allowance	161,068	202,836	2,634,091
Net tax benefit	$ --	$ --	$ --

The difference between the statutory federal income tax rate and the Company's effective income tax rate is summarized as follows:

1996 1997 1998

Federal income tax rate	34.0%	34.0%	34.0%
Increase (decrease) as a result of-			
State income tax net of federal benefit	3.3%	3.3%	3.3%
Permanent differences	(0.1%)	(0.5%)	(1.2%)
Valuation allowance	(37.2%)	(36.8%)	(36.1%)
Effective tax rate	--%	--%	--%

NOTES TO FINANCIAL STATEMENTS--(Continued) Deferred tax assets and liabilities result from the following:

December 31, 1997 1998

Deferred tax assets-		
Non-current:		
Net operating loss carryforward	$354,363	$2,919,417
Depreciation differences	9,541	32,255
Deferred rent	--	13,391
Current:		
Vacation accrual	--	29,277
Allowance for doubtful accounts	--	3,655
Total deferred tax assets	363,904	2,997,995
Less: Valuation allowance	(363,904)	(2,997,995)
Net deferred tax assets	$ --	$ --

From its inception, the Company has generated losses for both financial reporting and tax purposes. Accordingly, for income tax return reporting purposes, the Company may utilize approximately $7.8 million of net operating loss carryforwards, which begin to expire in 2011. The Tax Reform Act of 1986 contains provisions which may limit the net operating loss carryforwards available to be used in any given year if certain events occur, including significant changes in ownership interests.

The Company has determined that approximately $364,000 and $2,998,000 of deferred tax assets as of December 31, 1997 and 1998, respectively, did not satisfy the realization criteria set forth in SFAS No. 109, primarily due to the Company's operating loss since inception and the start up nature of the Company. Accordingly, a valuation allowance was recorded against the entire deferred tax asset.

(11) Subsequent Events Employee Benefit Plan Effective January 1, 1999, the Company adopted a defined contribution plan under Section 401(k) of the Internal Revenue Code. Eligible employees are permitted to contribute up to 15% of their annual compensation. In addition, the Company may make discretionary and/or matching contributions on behalf of participating employees.

Stock Option Grants

From January 1999 through April 1999, the Company granted stock options to employees to purchase 168,350 shares of common stock at an exercise price of $4 per share. In connection with such option grants, the Company recognized unearned compensation totaling approximately $1.3 million which is being amortized over the vesting period of the related options.

Reincorporation

On or before the completion of the Initial Public Offering discussed below, the Company expects to file for reincorporation in the State of Delaware.

Initial Public Offering On May 13, 1999, the Company filed a registration statement with the SEC on Form S-1.

[INSIDE BACK COVER - LOGOS OF REPRESENTATIVE CUSTOMERS WITH CAPTION "PARTNERSHIPS DEDICATED TO ONLINE LEARNING" AT BOTTOM OF PAGE.]

Shares

[eCollege.com logo]

Common Stock

Prospectus , 1999

NationsBanc Montgomery Securities LLC Thomas Weisel Partners LLC Until (25 days after the date of this Prospectus), all dealers effecting transactions in the common stock, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of dealers 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 the underwriting discount, payable by the Registrant in connection with the sale of the Common Stock being registered. All amounts are estimates except the SEC registration fee, the NASD filing fees and the Nasdaq National Market listing fee.

Amount to be Paid

SEC registration fee	$15,985
NASD filing fee	30,500
Nasdaq National Market listing fee	*
Legal fees and expenses	*
Accounting fees and expenses	*
Printing and engraving	*
Blue sky fees and expenses (including legal fees)	*
Transfer agent fees	*
Miscellaneous	*
Total	$ *

* To be supplied by amendment.

Item 14. Indemnification of Directors and Officers The Registrant's Amended and Restated Certificate of Incorporation in effect as of the date hereof, and the Registrant's Second Amended and Restated Certificate of Incorporation to be in effect upon the closing of this offering (collectively, the "Certificate") provides that, except to the extent prohibited by the Delaware General Corporation Law, as amended (the "DGCL"), the Registrant's directors shall not be personally liable to the Registrant or its stockholders for monetary damages for any breach of fiduciary duty as directors of the Registrant. Under the DGCL, the directors have a fiduciary duty to the Registrant which is not eliminated by this provision of the Certificate and, in appropriate circumstances, equitable remedies such as injunctive or other forms of nonmonetary relief will remain available. In addition, each director will continue to be subject to liability under the DGCL for breach of the director's duty of loyalty to the Registrant, for acts or omissions which are found by a court of competent jurisdiction to be not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are prohibited by the DGCL. This provision also does not affect the directors' responsibilities under any other laws, such as the Federal securities laws or state or Federal environmental laws. The Registrant has applied for liability insurance for its officers and directors.

Section 145 of the DGCL empowers a corporation to indemnify its directors and officers and to purchase insurance with respect to liability arising out of their capacity or status as directors and officers, provided that this provision shall not eliminate or limit the liability of a director: (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) arising under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. The DGCL provides further that the indemnification permitted thereunder

shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise. The Certificate eliminates the personal liability of directors to the fullest extent permitted by Section 102(b)(7) of the DGCL and provides that the Registrant may fully 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) by reason of the fact that such person is or was a director or officer of the Registrant, or is or was serving at the request of the Registrant as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding.

At present, there is no pending litigation or proceeding involving any director, officer, employee or agent as to which indemnification will be required or permitted under the Certificate. The Registrant is not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

Item 15. Recent Sales of Unregistered Securities The Registrant has sold and issued the following securities since July 26, 1996 (inception):

Common Stock and Preferred Stock. In February 1997, the Registrant issued (i) 6,790,000 shares of its common stock, no par value per share, to its founder Robert N. Helmick in exchange for $130,500 in services, (ii) 350,000 shares of its common stock to John V. Helmick in exchange for $6,750 in cash, and (iii) 210,000 shares of its common stock, no par value per share, to Jonathan M. Dobrin, in exchange for $4,050 in property.

On June 11, 1997, the Registrant issued an aggregate of 132,000 investment units; each unit consisting of one share of Series A Convertible Preferred Stock (the "Series A Preferred") and one warrant to purchase seven shares of Registrant's common stock (exercisable at a price of $1.08 per share), at a purchase price of $7.58 per unit, to certain investors in consideration for the payment of $1,000,000. Upon the closing of this offering, all of the outstanding shares of Series A Preferred will convert into an aggregate of 924,000 shares of Common Stock.

On February 2, 1998, the Registrant issued an aggregate of 326,833 shares of Series B Convertible Preferred Stock (the "Series B Preferred"), at a purchase price of $18.36 per share, to certain investors in consideration for the payment of approximately $6,000,000. Upon the closing of this offering, all of the outstanding shares of Series B Preferred will convert into an aggregate of 2,287,831 shares of Common Stock.

In a series of closings from December 21, 1998 through March 1, 1999, the Registrant issued an aggregate of 430,540 shares of Series C Convertible Preferred Stock (the "Series C Preferred"), at a purchase price of $34.84 per share, to certain investors in consideration for the payment of $15,000,020. Upon the closing of this offering, all of the outstanding shares of Series C Preferred will convert into an aggregate of 3,013,780 shares of Common Stock.

Warrants. The Registrant from time to time has granted warrants to investors, consultants and other third parties in connection with business transactions in reliance upon exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

Weighted- average Number of Exercise Shares Prices

July 26, 1996 (inception) to December 31, 1996.....	--	--
January 1, 1997 to December 31, 1997.....	959,000	$1.08
January 1, 1998 to December 31, 1998.....	10,500	$3.80
January 1 to April 30, 1999.....	60,277	$4.98

Options. The Registrant from time to time has granted stock options to employees and consultants in reliance upon exemption from registration pursuant to either (i) Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), or (ii) Rule 701 promulgated under the Securities Act.

Number of Exercise Shares Prices

July 26, 1996 (inception) to December 31, 1996....	--	--
January 1, 1997 to January 6, 1998.....	882,700	$0.36-$1.19
January 7, 1998 to December 31, 1998.....	656,250	$1.43
January 1, 1999 to April 1, 1999.....	168,350	$4.00

Of the options granted during the period from January 1, 1997 through January 6, 1998, to purchase 798,700 shares of common stock, 744,450 remain outstanding as of April 30, 1999. Of the options granted during the period from January 7, 1998 through December 31, 1998, to purchase 656,250 shares of common stock, 617,050 remain outstanding. All options granted in 1999 remained outstanding as of April 30, 1999.

The above securities were offered and sold by the Registrant in reliance upon exemptions from registration pursuant to either (i) Section 4(2) of the Securities Act, as amended, as transactions not involving any public offering, (ii) Regulation D promulgated under the Securities Act, as amended, as limited offers and sales of securities, or (iii) Rule 701 promulgated under the Securities Act, as amended. No underwriters were involved in connection with the sales of securities referred to in this Item 15.

The common stock amounts and per share purchase and exercise prices in the above discussion have been adjusted to reflect a 7-for-1 stock split to be effected on or before completion of this offering.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits.

Number Description

1.1* Form of Underwriting Agreement.

3.1* Certificate of Incorporation.

3.2* Form of Certificate of Amendment to Amended and Restated Certificate of Incorporation.

3.3* Form of Second Amended and Restated Certificate of Incorporation to be in effect upon the closing of this offering.

3.4* Bylaws.

3.5* Form of Amended and Restated Bylaws to be in effect upon the closing of this offering.

4.1* Specimen Common Stock certificate.

5.1* Opinion of Brobeck, Phleger & Harrison LLP.

10.1 Unit Purchase Agreement dated June 11, 1997, between the Registrant and the Persons listed on the Schedule of Purchasers attached thereto.

10.2 Series B Preferred Share Purchase Agreement dated February 2, 1998, between the Registrant and the Persons listed on the Schedule of Purchasers attached thereto.

10.3 Series C Preferred Share Purchase Agreement dated December 21, 1998, between the Registrant and the Persons listed on the Schedule of Purchasers attached thereto.

10.4 Amended and Restated Registration Agreement made as of December 21, 1998, by and among the Registrant, each of the Series A Investors, each of the Series B Investors and each of the Series C Purchasers.

10.5 Amended and Restated Shareholders Agreement made as of December 21, 1998, by and among the Registrant and each of the Parties listed on the Schedules attached thereto.

10.6 Form of Indemnification Agreement by and between the Registrant and its outside directors.

10.7 Consulting Agreement dated as of June 11, 1997, between the Registrant and New World Equities, Inc.

Number Description

10.8 Employment Agreement dated as of May 1, 1997, between the Registrant and Robert N. Helmick.

10.9 Common Stock Purchase Warrant issued to New World Equities, Inc. expiring June 11, 2000.

10.10 Agreement between the Registrant and the University of Colorado dated May 22, 1998.

10.11 Promissory Note dated June 1, 1997 by Registrant in the favor of Advanced Worldwide Education, LC.

10.12 1997 Stock Option Plan, as amended.

10.13* Amended Lease Agreement and Termination of Initial Lease for a Portion of the Leased Premises dated July 30, 1998 between Kennedy Center Partnership and the Registrant.

10.14* Lease Agreement dated April 16, 1999 between Kennedy Center Partnership and the Registrant.

10.15* 1999 Employee Stock Purchase Plan.

23.1 Consent of Arthur Andersen LLP.

23.2* Consent of Brobeck, Phleger & Harrison LLP (included in Exhibit 5.1).

24.1 Powers of Attorney (See Signature Page on Page II-5).

27.1 Financial Data Schedule.

* To be supplied by amendment.

Item 17. Undertakings

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

Insofar as indemnification for liabilities arising under the Securities Act 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 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 this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in Denver, Colorado, on this 13th day of May, 1999.

eCollege.com

By: __/s/ Robert N. Helmic___k NAME:ROBERT N. HELMICK TITLE:PRESIDENT AND CHIEF EXECUTIVE OFFICER

Power of Attorney

We, the undersigned directors and/or officers of eCollege.com (the "Company"), hereby severally constitute and appoint Robert N. Helmick, President and Chief Executive Officer, and Steven M. Singer, Vice President, Finance and Administration and Chief Financial Officer, and each of them individually, with full powers of substitution and resubstitution, our true and lawful attorneys, with full powers to them and each of them to sign for us, in our names and in the capacities indicated below, the Registration Statement on Form S-1 filed with the Securities and Exchange Commission, and any and all amendments to said Registration Statement (including post-effective amendments), and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, in connection with the registration under the Securities Act of 1933, as amended, of equity securities of the Company, and to file or cause to be filed the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of them might or could do in person, and hereby ratifying and confirming all that said attorneys, and each of them, or their substitute or substitutes, shall do or cause to be done by virtue of this Power of Attorney.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on May 13, 1999:

Signature Title(s)

/s/ Robert N. Helmick _____ ROBERT N. HELMICK	President, Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)
/s/ Steven M. Singer _____ STEVEN M. SINGER	Vice President, Finance and Administration and Chief Financial Officer (principal financial and accounting officer)

j/s/ Jonathan M. Dobrin Vice President, Chief Technology Officer _____ and Director JONATHAN M. DOBRIN /s/ Jack W. Blumenstein Director JACK W. BLUMENSTEIN /s/ Christopher E. Girgenti Director CHRISTOPHER

E. GIRGENTI /s/ Oakleigh Thorne Director OAKLEIGH THORNE /s/ Jeri Korshak Director JERI KORSHAK

Index to Exhibits

Number Description

1.1* Form of Underwriting Agreement. 3.1* Certificate of Incorporation. 3.2* Form of Certificate of Amendment to Amended and Restated Certificate of Incorporation. 3.3* Form of Second Amended and Restated Certificate of Incorporation to be in effect upon the closing of this offering. 3.4* Bylaws. 3.5* Form of Amended and Restated Bylaws to be in effect upon the closing of this offering. 4.1* Specimen Common Stock certificate. 5.1* Opinion of Brobeck, Phleger & Harrison LLP. 10.1 Unit Purchase Agreement as of June 11, 1997, between the Registrant and the Persons listed on the Schedule of Purchasers attached thereto. 10.2 Series B Preferred Share Purchase Agreement dated February 2, 1998 between the Registrant and the Persons listed on the Schedule of Purchasers attached thereto. 10.3 Series C Preferred Share Purchase Agreement dated December 21, 1998 between the Registrant and the Persons listed on the Schedule of Purchasers attached thereto. 10.4 Amended and Restated Registration Agreement made as of December 21, 1998, by and among the Registrant, each of the Series A Investors, each of the Series B Investors and each of the Series C Purchasers. 10.5 Amended and Restated Shareholders Agreement made as of December 21, 1998, by and among the Registrant and each of the Parties listed on the Schedules attached thereto. 10.6 Form of Indemnification Agreement by and between the Registrant and its outside directors. 10.7 Consulting Agreement dated as of June 11, 1997, between the Registrant and New World Equities, Inc. 10.8 Employment Agreement dated as of May 1, 1997, between the Registrant and Robert N. Helmick. 10.9 Common Stock Purchase Warrant issued to New World Equities, Inc., expiring June 11, 2000. 10.10 Agreement between the Registrant and the University of Colorado dated May 22, 1998. 10.11 Promissory Note dated June 1, 1997 by Registrant in the favor of Advanced Worldwide Education, LC. 10.12 1997 Stock Option Plan, as amended. 10.13* Amended Lease Agreement and Termination of Initial Lease for a Portion of the Leased Premises dated July 30, 1998 between Kennedy Center Partnership and the Registrant. 10.14* Lease Agreement dated April 16, 1999 between Kennedy Center Partnership and the Registrant. 10.15* 1999 Employee Stock Purchase Plan. 23.1 Consent of Arthur Andersen LLP. 23.2* Consent of Brobeck, Phleger & Harrison LLP (included in Exhibit 5.1). 24.1 Powers of Attorney (See Signature Page on Page II-5). 27.1 Financial Data Schedule.

* To be supplied by amendment. </TEXT>