SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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INTERNATIONAL INTEGRATION INC

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): JUNE 21, 1999

Commission File No. 000-24409

INTERNATIONAL INTEGRATION INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	04-3169145
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

101 Main Street Cambridge, Massachusetts	02142
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (617) 250-2500

Item 5. OTHER EVENTS.

On May 25, 1999, International Integration Incorporated ("i-Cube" or the "Company") acquired all of the outstanding common stock of Tomorrow's Technology Today, Inc., ("T3") in exchange for 89,640 shares of i-Cube common stock. On June 21, 1999, the Company acquired all of the outstanding common stock of Reportsent, Ltd. and its majority-owned subsidiary Conduit Communications Ltd.,

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(collectively, "Conduit") in exchange for approximately 2.4 million shares of i-Cube common stock.

The supplemental consolidated financial statements filed herewith have been prepared accounting for the above acquisitions using the pooling of interests method of accounting. Upon publication, these supplemental consolidated financial statements will become the historical financial statements of the Company.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS

EXHIBIT NUMBER	TITLE
Exhibit 23.1	Consent of Independent Accountants
Exhibit 99.1	Supplemental Consolidated Financial Statements of International Integration, Inc. as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998, and Report of Independent Accountants thereon (Previously filed on Form 10-K on March 31, 1999)
Exhibit 99.2	Management's Discussion and Analysis of Supplemental Financial Condition and Results of Operations (Previously filed on Form 10-K on March 31, 1999)
Exhibit 99.3	Selected Supplemental Consolidated Financial Data (Previously filed on Form 10-K on March 31, 1999)
Exhibit 99.4	Supplemental Consolidated Interim Financial Statements of International Integration, Inc. as of March 31, 1999 and December 31, 1998 and for the three month periods ended March 31, 1999 and March 31, 1998 (Previously filed on Form 10-Q on May 17, 1999)
Exhibit 99.5	Management's Discussion and Analysis of Supplemental Financial Condition and Results of Operations (Previously filed on Form 10-Q on May 17, 1999)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: September 10, 1999

INTERNATIONAL INTEGRATION INCORPORATED

By: /s/ Lawrence P. Begley

Lawrence P. Begley
Executive Vice President
& Chief Financial Officer
(Principal Financial Officer)

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Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of International Integration Incorporated on Form S-8 (File No. 333-69269) of our report dated September 7, 1999 on our audits of the supplemental consolidated financial statements of International Integration Incorporated as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, which report is included in this current report on Form 8-K.

PricewaterhouseCoopers LLP

Boston, Massachusetts
September 10, 1999

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Exhibit 99.1

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")

INDEX TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS (Previously filed on Form 10-K on March 31, 1999)

Report of Independent Accountants	A-1
Supplemental Consolidated Balance Sheets	A-2
Supplemental Consolidated Statements of Income	A-3
Supplemental Consolidated Statements of Stockholders' Equity	A-4
Supplemental Consolidated Statements of Cash Flows	A-6
Notes to Supplemental Consolidated Financial Statements	A-7

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of International Integration Incorporated:

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

As described in Note 1, on May 25, 1999 and June 21, 1999, International Integration Incorporated acquired Tomorrow's Technology Today, Inc. ("T3") and Reportsent, Ltd. ("Conduit"), respectively, in transactions accounted for as poolings of interests. The accompanying supplemental consolidated financial statements give retroactive effect to these acquisitions. Generally accepted accounting principles proscribe giving effect to a consummated business combination accounted for by the pooling of interests method in financial statements that do not include the date of consummation. These financial statements do not extend through the date of consummation; however, they will become the historical consolidated financial statements of the Company after financial statements covering the date of consummation of the business combination are issued.

PricewaterhouseCoopers LLP

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Boston, Massachusetts
September 7, 1999

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
SUPPLEMENTAL CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$36,010	$11,609
Short-term investments	8,302	--
Accounts receivable, net of reserve of $255 and $180, respectively	6,380	7,754
Unbilled revenues	1,988	708
Prepaid expenses and other current assets	1,100	960
Deferred income taxes	157	812
Total current assets	53,937	21,843
Property and equipment, at cost:		
Computers and equipment	5,721	4,022
Building	1,944	1,935
Furniture and fixtures	1,841	1,147
Total property and equipment, at cost	9,506	7,104
Less- accumulated depreciation	(2,674)	(1,365)
Total property and equipment, net	6,832	5,739
Other assets	273	144
Total assets	$61,042	$27,726
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,244	$ 1,781
Accrued expenses	6,590	4,917
Current portion of long-term obligations	384	317
Accrued income taxes	545	3
Deferred revenues	4,859	8,423
Total current liabilities	14,622	15,441
Long-term obligations	2,222	2,393
Stockholders' equity:		
Preferred stock $0.01 par value; 1,000,000 shares authorized; no shares issued or outstanding	--	--
Common stock $0.01 par value; 100,000,000 shares authorized; 18,758,111 and 15,408,798 shares issued and outstanding at December 31, 1998 and 1997, respectively	188	154
Additional paid-in capital	30,551	1,903
Treasury stock, 0 and 3,001 shares at cost at December 31, 1998 and 1997, respectively	--	(8)
Note receivable from stockholder	(533)	(533)
Retained earnings	13,914	8,368
Accumulated other comprehensive income	78	8
Total stockholders' equity	44,198	9,892
Total liabilities and stockholders' equity	$61,042	$27,726

The accompanying notes are an integral part of these supplemental consolidated financial statements

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INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
SUPPLEMENTAL CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED DECEMBER 31, 1998	1997	1996
Net revenues	$56,793	$38,850	$19,659
Project personnel and software costs	27,562	17,630	7,961
Gross profit	29,231	21,220	11,698
Operating expenses:			
Selling and marketing	5,178	3,819	1,913
General and administrative	14,551	9,997	6,844
Restructuring costs	786	--	--
Total operating expenses	20,515	13,816	8,757
Operating income	8,716	7,404	2,941
Other income (expense):			
Interest income	1,430	460	85
Interest expense	(212)	(208)	(30)
Income before income taxes	9,934	7,656	2,996
Provision for income taxes	4,388	2,978	1,086
Net income	$ 5,546	$ 4,678	$ 1,910
Earnings per share:			
Basic	$ 0.32	$ 0.31	$ 0.13
Diluted	$ 0.26	$ 0.26	$ 0.12
Weighted average shares outstanding:			
Basic	17,363	15,113	14,911
Diluted	21,325	17,743	16,196

The accompanying notes are an integral part of these supplemental consolidated financial statements

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
SUPPLEMENTAL CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

<TABLE>
<CAPTION>

	SERIES A COMMON STOCK		SERIES B COMMON STOCK		COMMON STOCK		
	NUMBER OF SHARES	NO PAR VALUE	NUMBER OF SHARES	NO PAR VALUE	NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID-IN CAPITAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

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Balance at December 31, 1995	12,020,025	$ 8	327,499	$ 2			
Pooling of interests with Conduit	--	--	--	--	2,352,269	$ 23	$ 388
Pooling of interests with T3	--	--	--	--	89,640	1	(1)
Balance at December 31, 1995, as restated	12,020,025	8	327,499	2	2,441,909	24	387
Conversion	(12,020,025)	(8)	(327,499)	(2)	12,347,524	123	
Exercise of stock options	--	--	--	--	145,688	2	250
Net income	--	--	--	--	--	--	--
Translation adjustments	--	--	--	--	--	--	--
Comprehensive income	--	--	--	--	--	--	--
Balance at December 31, 1996	--	--	--	--	14,935,121	149	637
Exercise of stock options	--	--	--	--	473,677	5	676
Acquisition of treasury stock	--	--	--	--	--	--	--
Tax benefit due to stock option exercise	--	--	--	--	--	--	590
Net income	--	--	--	--	--	--	--
Translation adjustments	--	--	--	--	--	--	--
Comprehensive income	--	--	--	--	--	--	--
Balance at December 31, 1997	--	--	--	--	15,408,798	154	1,903
Exercise of stock options	--	--	--	--	744,313	8	455
Proceeds from initial public offering	--	--	--	--	2,605,000	26	27,851
Tax benefit due to stock option exercise	--	--	--	--	--	--	342
Net income	--	--	--	--	--	--	--
Translation adjustments	--	--	--	--	--	--	--
Comprehensive income	--	--	--	--	--	--	--
Balance at December 31, 1998	--	$--	--	$--	18,758,111	$188	$30,551

</TABLE>

The accompanying notes are an integral part of these supplemental consolidated financial statements

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INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
SUPPLEMENTAL CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	TREASURY STOCK						
	NUMBER OF SHARES	COST	NOTE RECEIVABLE FROM STOCKHOLDER	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY	STATEMENT OF COMPREHENSIVE INCOME
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995	--	--	--	$ 2,685	--	$ 2,695	--
Pooling of interests with Conduit	--	--	--	(792)	--	(381)	--
Pooling of interests with T3	--	--	--	--	--	--	--
Balance at December 31, 1995, as restated	--	--	--	1,893	--	2,314	--
Conversion	--	--	--	(113)	--	--	--
Exercise of stock options	--	--	--	--	--	252	--
Net income	--	--	--	1,910	--	1,910	$1,910
Translation adjustments	--	--	--	--	$ 6	6	6
Comprehensive income	--	--	--	--	--	--	1,916
Balance at December 31, 1996	--	--	--	3,690	6	4,482	--
Exercise of stock options	--	--	$(533)	--	--	148	--
Acquisition of treasury stock	(3,001)	$(8)	--	--	--	(8)	--
Tax benefit due to stock option exercise	--	--	--	--	--	590	--
Net income	--	--	--	4,678		4,678	4,678
Translation adjustments	--	--	--	--	2	2	2

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Comprehensive income	--	--	--	--	--	--	4,680
Balance at December 31, 1997	(3,001)	(8)	(533)	8,368	8	9,892	--
Exercise of stock options	3,001	8	--	--	--	471	--
Proceeds from initial public offering	--	--	--	--	--	27,877	--
Tax benefit due to stock option exercise	--	--	--	--	--	342	--
Net income				5,546		5,546	5,546
Translation adjustments	--	--	--	--	70	70	70
Comprehensive income	--	--	--	--	--	--	$5,616
Balance at December 31, 1998	--	$--	$(533)	$13,914	$78	$44,198	

The accompanying notes are an integral part of these supplemental consolidated financial statements

</TABLE>

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INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
SUPPLEMENTAL CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Cash flows from operating activities:			
<S>	<C>	<C>	<C>
Net income	$ 5,546	$ 4,678	$1,910
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,307	725	283
Provision for doubtful accounts	(84)	82	73
Loss on disposal of fixed assets	--	97	--
Deferred income taxes	655	(17)	163
Tax benefit due to stock option exercise	342	590	--
Changes in operating assets and liabilities:			
Accounts receivable	1,467	(2,130)	(2,792)
Unbilled revenues	(1,280)	(486)	191
Prepaid expenses and other current assets	(138)	(353)	(222)
Accounts payable	457	780	651
Accrued expenses	1,694	2,302	(247)
Accrued income taxes	543	(191)	(916)
Deferred revenues	(3,570)	2,997	2,835
Other	(129)	23	14
Net cash provided by operating activities	6,810	9,097	1,943
Cash flows from investing activities:			
Purchases of available for sale securities	(10,802)	--	--
Sale and maturities of available for sale securities	2,500	--	--
Purchases of property and equipment	(2,002)	(4,196)	(708)
Proceeds from sale of fixed assets	--	25	--
Net cash used in investing activities	(10,304)	(4,171)	(708)
Cash flows from financing activities:			
Repayment of long-term obligations	(1,784)	(177)	--
Repayments on line of credit	(66)	(66)	(33)
Proceeds from long-term obligations	1,380	1,180	86
Proceeds from equipment line of credit	--	500	--
Purchase of treasury stock	--	(8)	--
Proceeds from exercise of stock options	471	148	251
Proceeds from initial public offering	27,877	--	--
Decrease in due from related parties	--	--	396

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Decrease in due from officer/stockholder	--	--	30
Net cash provided by financing activities	27,878	1,577	730
Effect of exchange rates on cash and cash equivalents	17	(44)	47
Net increase in cash and cash equivalents	24,401	6,459	2,012
Cash and cash equivalents, beginning of period	11,609	5,150	3,138
Cash and cash equivalents, end of period	$ 36,010	$ 11,609	$ 5,150

The accompanying notes are an integral part of these supplemental consolidated financial statements

</TABLE>

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

(1) ORGANIZATION AND SIGNIFICANT POLICIES

International Integration Incorporated, commonly known as i-Cube (the "Company"), is an IT solutions provider specializing in consulting, electronic business, and transformation services for the complex IT environments inherent in the world's leading organizations. Since 1992, i-Cube has helped clients leverage their current business processes and technology infrastructure to create competitive advantage. Utilizing a fixed-time/fixed-price model and a unique client teaming approach, i-Cube delivers solutions rapidly and with full knowledge transfer. i-Cube's innovative solutions are based on open standards and architectures that are independent of any single vendor's hardware, software or middleware. i-Cube uses i-Structure, a set of methodologies and tools which embody best practices in application development, project management, testing, and deployment. During 1998, the Company expanded its operations by opening its European headquarters in Mannheim, Germany, bringing to three the number of locations from which the Company provides its services.

On May 25, 1999, the Company acquired all of the outstanding common stock of Tomorrow's Technology Today, Inc., ("T3"), an IT solutions provider, in exchange for 89,640 shares of i-Cube common stock.

On June 21, 1999, the Company acquired all of the outstanding common stock of Reportsent, Ltd. and its majority-owned subsidiary Conduit Communications Ltd., (collectively, "Conduit"), an IT solutions provider, in exchange for approximately 2.4 million shares of i-Cube common stock.

These transactions have been accounted for as poolings of interests and accordingly, the Supplemental Consolidated Financial Statements reflect the combined financial position and results of operations and cash flows of i-Cube, Conduit, and T3 for all periods presented. Upon publication of the Company's financial statements for a period which includes May 25, 1999 and June 21, 1999, the Supplemental Consolidated Financial Statements will become the historical consolidated financial statements of the Company.

A summary of the Company's significant accounting policies follows:

(a) Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

(b) Principles of Consolidation
The consolidated financial statements reflect the operations of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

(c) Foreign Currency Translation
Assets and liabilities of the Company's foreign operations are translated into United States dollars at exchange rates prevailing at the balance sheet date.

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Revenues and expenses for the year are translated at the average exchange rates in effect during the year. The resulting translation adjustments are accumulated as a separate component of stockholders' equity.

(d) Revenue Recognition

The Company derives substantially all of its revenues from technology consulting services. Revenues from contracts are recognized on the percentage-of-completion basis. The cumulative impact of any revision in estimates of the cost to complete and losses on projects in process are reflected in the period in which they become known. Net revenues exclude reimbursable expenses charged to customers. Revenues from maintenance contracts are deferred and recognized ratably over the contractual periods during which services are performed.

Deferred revenues consist principally of amounts billed in advance for technology consulting contracts that will be recognized upon performance and amounts billed to clients in excess of revenues recognized to-date. Unbilled revenues on contracts represent revenues recognized on contracts in excess of contractual billings to-date.

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

(1) ORGANIZATION AND SIGNIFICANT POLICIES (CONTINUED)

(e) Significant Customers and Concentration of Credit Risk

During the year ended December 31, 1998, revenues from two clients accounted for 12% and 11% of the Company's net revenues. During the year ended December 31, 1997, revenues from three clients accounted for 20%, 13%, and 10% of the Company's net revenues. During the year ended December 31, 1996, revenues from four clients accounted for 16%, 12%, 11% and 10% of the Company's net revenues.

Financial instruments that subject the company to credit risks consist primarily of trade accounts receivable. As of December 31, 1998 and 1997, approximately 29% and 65% of the Company's accounts receivable are due from two and four customers, respectively.

(f) Cash, Cash Equivalents, and Short-term Investments

Cash equivalents consist of highly liquid investments with a maturity of less than three months when purchased. At December 31, 1998 and 1997, cash and cash equivalents include overnight repurchase agreements of $12,525 and $10,800, respectively. Due to the short-term nature of these agreements, the Company does not take possession of the underlying collateral, U.S. Government Agency notes, which are held by the bank.

The Company invests in only high quality, short-term investments, all of which are classified as available for sale at December 31, 1998. Short-term investments are recorded at fair market value, which approximates cost. The cost of securities sold is based on the specific identification method. Gross realized and unrealized gains or losses were not significant as of December 31, 1998. All available for sale securities have maturities of less than one year.

(g) Depreciation

The Company provides for depreciation of fixed assets over their estimated useful lives, using the straight-line method, as follows:

ASSET CLASSIFICATION	ESTIMATED USEFUL LIFE
Building..	20 years
Computers and equipment............................	3-5 years
Furniture and fixtures............................	5 years

Depreciation and amortization expense relating to total fixed assets was $1,307, $725, and $283 for the years ended December 31, 1998, 1997, and 1996, respectively. As of December 31, 1998 and 1997, the cost of furniture and fixtures recorded under capital leases was $473, and the related accumulated amortization was $150 and $147, respectively. As of December 31, 1998 and 1997, the cost of computers and equipment recorded under capital leases was $398 and $43, respectively, and the related accumulated amortization was $70 and $30, respectively. Upon retirement or disposal, the cost of the disposed asset and the related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.

(h) Accounting for Stock-Based Compensation

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The Company accounts for stock-based awards to its employees using the intrinsic value based method as prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations and has adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," through disclosure only (Note 9).

(i) Earnings Per Share
Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed using the weighted average number of common shares outstanding plus the dilutive effect of common stock equivalents using the treasury stock method.

(j) Income Taxes
Deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities, as measured by the enacted tax rates assumed to be in effect when these differences reverse.

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

(1) ORGANIZATION AND SIGNIFICANT POLICIES (CONTINUED)

(k) Comprehensive Income
In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income." This Statement requires that all items recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS No. 130 does not require a specific format for the financial statement in which comprehensive income is reported, but does require that an amount representing total comprehensive income be reported in that statement. The components of comprehensive income for the Company generally include foreign currency translation and unrealized gains or losses on short-term investments classified as available for sale.
The Company has adopted SFAS No. 130 in the accompanying financial statements.

(l) Segment Reporting
In June 1997, the FASB issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, superseding SFAS No. 14, Financial Reporting for Segments of a Business Enterprise. SFAS No. 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements, and requires those enterprises to report selected information about operating segments in interim financial statements. It also requires disclosures about products and services, geographic areas, and major customers.

The Company is in the business of providing specialized IT solutions in consulting, electronic business, and transformation services for the complex IT environments inherent in the world's leading organizations. The Company evaluated its business activities that are regularly reviewed by the Executive Management team and Board of Directors for which discrete financial information is available. As a result of this evaluation, the Company determined that it has one operating segment. The adoption of SFAS 131 did not affect the results of operations, financial position, or require the disclosure of segment information since the Company has one reportable segment.

(m) Computer Software Developed or Obtained for Internal Use
In March 1998, Statement of Position ("SOP") 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use," was issued which provides guidance in addressing whether and under what conditions the costs of internal-use software should be capitalized. SOP 98-1 is effective for transactions entered into in fiscal years beginning after December 15, 1998, however earlier adoption is encouraged. The Company adopted the guidelines of SOP 98-1 as of January 1, 1998, and the impact of such adoption was not material to results of operations or of cash flows for the year ended December 31, 1998.

(n) Reclassifications
Certain prior year amounts have been reclassified to conform to current year presentation.

(2) ACQUISITIONS

On May 25, 1999, the Company acquired all of the outstanding common stock of

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Tomorrow's Technology Today, Inc., ("T3") in exchange for 89,640 shares of i-Cube common stock.

On June 21, 1999, the Company acquired all of the outstanding capital stock of Conduit in exchange for approximately 2.4 million shares of the Company's common stock. The Company assumed the existing Conduit stock options which are transferable into approximately 0.5 million shares of the Company's common stock upon exercise.

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

(2) ACQUISITIONS (CONTINUED)

The results of operations for i-Cube and Conduit and the combined amounts presented in the accompanying Supplemental Consolidated Financial Statements are summarized below (in thousands):

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Net revenues:			
i - Cube	$41,587	$26,859	$14,479
Conduit	15,206	11,991	5,180
Combined	$56,793	$38,850	$19,659
Net income (loss):			
i - Cube	$ 6,936	$ 4,245	$ 1,615
Conduit	(1,390)	433	295
Combined	$ 5,546	$ 4,678	$ 1,910

Revenue and net income for T3 for the years ended December 31, 1998, 1997, and 1996 were nominal and have been included in the respective i-Cube amounts in the above table.

On August 10, 1999, the Company announced that it had signed a definitive agreement to merge with Razorfish, a New York City-based information technology firm that provides Digital Change Management(SM) solutions. Under terms of the agreement, approved by each company's board of directors, each share of the Company will be exchanged for 0.875 shares of Razorfish, and Razorfish will be the surviving entity. The Company anticipates that the transaction will be accounted for as a pooling of interests.

(3) SHORT-TERM INVESTMENTS

The following is a summary of investments at cost which approximates fair value classified as current assets at December 31, 1998:

Corporate debt securities..............................	$1,236
U.S. Government securities.............................	7,066
Total..	$8,302

(4) LONG-TERM OBLIGATIONS AND CREDIT ARRANGEMENTS

The Company has a working capital line of credit ("working capital line") with a financial institution under which the Company may borrow the lesser of $5,000 or 75% of eligible accounts receivable, as defined in the agreement. The interest rate on all borrowings under the working capital line is prime (7.75% at December 31, 1998). The unsecured line of credit expires in September 1999. The Company is required to comply with certain operational and financial covenants under the agreement if there are borrowings under the credit line. At December 31, 1998, the Company is in compliance with all such covenants. The agreement also provides for a $4,000 sublimit for foreign exchange transactions and the issuance of letters of credit of up to $4,000. There were no borrowings under this line of credit at December 31, 1998 or 1997.

In July 1997, the Company obtained an equipment line of credit ("equipment line") with the same financial institution from which the Company could borrow up to $500 for qualified capital expenditures, as defined in the agreement. The interest rate on all borrowings under the equipment line was prime plus 3/4%

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(9.25% at December 31, 1997) and was reduced to prime upon the Company's successful completion of its Initial Public Offering ("IPO"). The Company was able to borrow against this equipment line until January 31, 1998 (the "draw period"). During the draw period, the Company was required to make payments of interest only on all outstanding borrowings. At the conclusion of the draw period, the Company was required to make 36 equal monthly principal payments plus interest. The Company was required to comply with certain operational and financial covenants under the agreement if there were borrowings under the equipment line. The outstanding balance under the equipment line was paid in full in July 1998.

In May 1998, Conduit entered into a loan agreement with a major financial institution for $1.4 million for the purchase of a building currently occupied by Conduit. The principal balance is payable over 12 years in quarterly installments and bears interest at LIBOR +2% (8.18% at December 31, 1998). These quarterly installments increase throughout the term of the loan. The Company is required to comply with certain financial covenants under this loan agreement. At December 31, 1998, the Company was in compliance with these requirements. At December 31, 1998, $1.4 million was outstanding under the loan agreement which is collateralized by the building.

(4) LONG-TERM OBLIGATIONS AND CREDIT ARRANGEMENTS (CONTINUED)

The Company assumed $230 of Conduit's convertible employee loans which are transferable into the Company's common stock upon conversion. These loans bear no interest and are due in full on the 20th anniversary of the date of the loan, provided they have not been converted. As of December 31, 1998 and 1997, $230 was outstanding under these loan notes.

Long-term obligations consist of the following at December 31, 1998 and 1997:

	1998	1997
Capital lease obligations	$ 750	$ 483
Loan agreements	1,856	1,727
Equipment line	--	500
	2,606	2,710
Less-current maturities	384	317
	$2,222	$2,393

Maturities of long-term obligations are as follows:

1999	$ 524
2000	519
2001	363
2002	164
2003	108
Thereafter	1,140
	2,818
Less-amount representing interest	212
	$2,606

(5) ACCRUED EXPENSES
Accrued expenses consist of the following at December 31, 1998 and 1997:

	1998	1997
Accrued payroll and other payroll expenses	$2,992	$1,796
Accrued marketing	245	214

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Accrued other	3,353	2,907
	$6,590	$4,917

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

(6) INCOME TAXES

The provision for income taxes consists of the following for the years ended December 31, 1998, 1997, and 1996:

	1998	1997	1996
Current			
Federal	$2,902	$2,118	$ 692
State	831	659	196
Foreign	--	218	36
	3,733	2,995	924
Deferred			
Federal	504	(13)	124
State	151	(4)	38
	655	(17)	162
	$4,388	$2,978	$1,086

A reconciliation of the Company's income tax provision to the U.S. statutory income tax rate is as follows:

	1998	1997	1996
U.S. federal statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	6.5	5.8	5.6
Foreign income taxes	4.8	--	(2.6)
Research and development credits	(0.9)	(0.9)	(0.9)
Other, net	--	--	0.1
Effective tax rate	44.4%	38.9%	36.2%

Significant components of the deferred tax asset as of December 31, 1998 and 1997 are as follows:

	1998	1997
Net operating loss carryforwards	$533	
Nondeductible accruals and reserves	284	$835
Depreciation	(283)	(23)
	534	812
Valuation allowance	(377)	--
Total net deferred tax asset	$157	$812

The Company has net operating loss carryforwards as of December 31, 1998 of $577, expiring at various dates through 2013.

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INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

(7) STOCKHOLDERS' EQUITY

On May 25, 1999, the Company acquired all of the outstanding common stock of Tomorrow's Technology Today, Inc., ("T3") in exchange for 89,640 shares of i-Cube common stock. The Company's supplemental financial statements have been restated for all prior periods presented to reflect the acquisition of T3, which was accounted for as a pooling of interests.

On June 21, 1999, the Company acquired all of the outstanding capital stock of Conduit in exchange for approximately 2.4 million shares of the Company's common stock. The Company's supplemental financial statements have been restated for all prior periods presented to reflect the acquisition of Conduit, which was accounted for as a pooling of interests.

Until February 1996, the Company had authorized 12,020,025 and 2,979,975 of Series A and Series B common shares, respectively, at no par value.

In February 1996, each share of Series A common stock and Series B common stock, without par value, was converted into one share of common stock, $0.01 par value, with the same voting rights. The Company has authorized 101,000,000 shares consisting of 100,000,000 shares of common stock, $0.01 par value, and 1,000,000 shares of preferred stock, $0.01 par value.

In February 1997, i-Cube's Board of Directors voted a three-for-two stock split of the Company's common stock, payable as a stock dividend, which became effective the same day. All share and per share data, except common stock par value, have been retroactively adjusted to reflect these changes.

In April 1998, i-Cube's Board of Directors voted, and i-Cube's stockholders approved, an increase in the authorized shares of Common Stock, $0.01 par value, to 100,000,000.

The Company completed an IPO of 2,500,000 shares of its common stock on June 23, 1998. Additionally, the underwriters elected to exercise their option to purchase 105,000 shares of common stock from the Company to cover over-allotments. The net proceeds to the Company from the subscribed and over-allotment shares were $27,877, after deduction of offering expenses of $3,383.

(8) EARNINGS PER SHARE

The following table reconciles the denominator of the diluted earnings per share computation as shown on the Consolidated Statements of Income.

DILUTED EPS COMPUTATION	1998	1997	1996
Basic common shares outstanding	17,363,000	15,113,000	14,911,000
Stock options	3,962,000	2,630,000	1,285,000
Diluted common and common equivalent shares	21,325,000	17,743,000	16,196,000

Options to purchase shares of the Company's common stock of 172,371, 297,780, and 253,979 for the years ended December 31, 1998, 1997, and 1996, respectively, were outstanding during the respective periods but were not included in the computation of diluted EPS because the exercise price of the options was greater than or equal to the average market price of the common stock for the periods reported.

(9) STOCK PLANS

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(a) 1993 Stock Plan

The Company has a 1993 Stock Plan (the "1993 Plan"), pursuant to which the Company may grant to employees, directors, and consultants of the Company statutory and nonstatutory stock options to purchase shares of Series B common stock. Under the 1993 Plan, incentive stock options may be granted at an exercise price not less than the fair market value of the Company's common stock on the date of the grant, as determined by the Board of Directors. Nonqualified options may be granted on terms determined by the Board of Directors, but at a price of no less than the book value per share or 50% of the fair market value on the date of grant, whichever is lower. The maximum term of the options is ten years from date of grant. Upon the adoption of the 1996 Plan, shares remaining ungranted under the 1993 Plan were authorized to be granted under the 1996 Plan, and the 1993 Plan was then terminated.

(b) 1996 Stock Plan

On January 15, 1996, the Company's Board of Directors adopted the 1996 Stock Plan (the "1996 Plan"), pursuant to which the Company may grant to employees, directors, and consultants of the Company stock options, rights or awards to purchase shares of common stock. Under the 1996 Plan, incentive stock options ("ISOs") may be granted at an exercise price not less than the fair market value of the Company's common stock on the date of the grant (110% of fair market value for ISOs granted to holders of more than 10% of the voting stock of the Company), as determined by the Board of Directors. Stock options under the 1996 Plan are non-transferable and generally vest over a four-year period. The maximum term of any option is ten years. Upon the adoption of the 1998 Plan, shares remaining ungranted under the 1996 Plan were authorized to be granted under the 1998 Plan, and the 1996 Plan was then terminated.

(c) 1998 Stock Plan

On April 23, 1998, the Company's Board of Directors adopted the 1998 Stock Incentive Plan (the "1998 Plan"), pursuant to which the Company may grant to employees, officers, directors, and advisors of the Company stock options, restricted stock, or other stock-based awards to purchase up to 3,432,078 shares of common stock plus the number of shares of Common Stock granted under the 1993 Plan or the 1996 Plan which are not actually issued because the grants have expired, have resulted in shares not being issued, or have been repurchased by the Company. Under the 1998 Plan, incentive stock options ("ISOs") may be granted at an exercise price not less than the fair market value of the Company's common stock on the date of the grant (110% of fair market value for ISOs granted to holders of more than 10% of the voting stock of the Company), as determined by the Board of Directors. However, it is the Company's intent to grant only Non-statutory Stock Options in the future. Stock options under the 1998 Plan are non-transferable and generally vest over a four-year period. The maximum term of any option is ten years. The Company's intent is to grant all future stock options under the 1998 Plan.

(d) 1998 Employee Stock Purchase Plan

On April 23, 1998, the Company's Board of Directors adopted the 1998 Employee Stock Purchase Plan (the "ESPP"). The ESPP allows eligible employees the right to purchase up to 300,000 shares of Common Stock on an annual basis at the lower of 85% of the market price at the beginning or end of the 12-month offering period. The offering period began on January 1, 1999. A liability will be recorded for ESPP withholdings not yet applied toward the purchase of Common Stock.

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")

NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

(9) STOCK PLANS (CONTINUED)
Information related to all stock options granted by the Company is as follows:
<TABLE>
<CAPTION>

	Number of shares	Weighted-average exercise price	Options exercisable	Weighted average exercise price of options exercisable

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<S>	<C>	<C>	<C>	<C>
Outstanding, December 31, 1995	2,388,648	$0.86	1,223,437	$0.57
Granted	3,033,690	2.00		
Exercised	(145,688)	1.72		
Forfeited/canceled	(479,550)	1.99		
Outstanding, December 31, 1996	4,797,100	1.44	1,866,176	0.79
Granted	2,252,050	3.31		
Exercised	(473,677)	1.44		
Forfeited/canceled	(429,323)	2.17		
Outstanding, December 31, 1997	6,146,150	2.08	2,275,440	1.08
Granted	1,209,515	11.32		
Exercised	(744,313)	0.63		
Forfeited/canceled	(250,914)	4.98		
Outstanding, December 31, 1998	6,360,438	$3.90	3,225,828	$2.03

</TABLE>

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

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding at December 31, 1998	Weighted-average remaining contractual life	Weighted-average exercise price	Number Exerciseable at December 31, 1998	Weighted-average exercise price
<S>	<C>	<C>	<C>	<C>	<C>
$ 0.01-0.67	591,124	5.78 years	$0.14	558,501	$0.11
1.00-1.99	210,856	3.82	1.60	208,148	1.61
2.00-2.99	2,854,061	7.32	2.03	1,694,227	2.02
3.00-4.99	1,184,058	8.58	3.06	609,563	3.11
5.00-5.99	750,139	8.55	5.06	151,575	5.11
7.00-12.00	260,000	9.33	9.91	3,814	12.00
14.00-17.00	307,100	9.77	16.16	--	--
17.13-18.50	203,100	9.79	17.71	--	--
$0.01-18.50	6,360,438	7.72 years	$3.90	3,225,828	$2.03

</TABLE>

The exercise price for each of the above grants was determined by the Board of Directors of the Company to be equal to the fair market value of the common stock on the day of grant (110% of the fair market value for grants to holders of more than 10% of the voting stock of the Company). Prior to the IPO, in reaching this determination at the time of each such grant, the Board considered a broad range of factors including the illiquid nature of an investment in the Company's common stock, the Company's historical financial performance, and the Company's future prospects. Subsequent to the IPO, the exercise prices are equal to the closing prices of the Company's stock as reported by Nasdaq exchange on the date of grant. Pursuant to the required pro forma disclosure under the fair value method of estimating compensation cost, the Company has estimated the fair value of its stock option grants by using the Black-Scholes option pricing method with the following weighted-average assumptions:

	1998	1997	1996
Expected option term (years)	7.0	7.0	7.0
Risk-free interest rate (%)	5.3	6.4	6.6
Expected volatility (%)	43.3	--	--
Dividend yield (%)	--	--	--
Weighted average fair value of options granted	$6.78	$1.04	$0.70

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(9) STOCK PLANS (CONTINUED)

The Company applies APB Opinion No. 25 and the related Interpretations. Accordingly, no compensation cost has been recognized for option grants. Had compensation cost for these awards been determined based on the fair value at the grant dates consistent with the method prescribed by SFAS No. 123, the Company's net income would have been adjusted to the pro forma amounts indicated below:

	1998	1997	1996
Net income			
As reported	$5,546	$4,678	$1,910
Compensation expense for stock options	1,342	609	272
Pro forma net income	$4,204	$4,069	$1,638
Basic earnings per share as reported	$ 0.32	$ 0.31	$ 0.13
Pro forma basic earnings per share	$ 0.24	$ 0.27	$ 0.11
Diluted earnings per share as reported	$ 0.26	$ 0.26	$ 0.12
Pro forma diluted earnings per share	$ 0.20	$ 0.23	$ 0.10

(10) COMMITMENTS

The Company leases its facilities under operating lease agreements that expire through October 2002. The following are the future minimum lease payments under operating leases as of December 31, 1998:

1999	$1,343
2000	1,338
2001	1,140
2002	45
Total minimum lease payments	$3,866

Rent expense was approximately $1,304, $1,282, and $619 for the years ended December 31, 1998, 1997, and 1996, respectively.

(11) RELATED PARTY TRANSACTIONS

During 1995, the Company provided certain management, administrative, and support services and subleased a portion of its facilities to a related entity. The Company charged the entity $102 during 1995, which was offset against operating expenses of the Company. The amount charged was included in due from related party in the Company's balance sheets. During 1996 all amounts were paid in full.

In 1996, the Company was paid $317 for IT services provided to a company of which a principal stockholder and a former director of the Company was a significant shareholder. The Company also purchases approximately $400 in annual telephone services from a company which is owned by principal stockholders.

During 1997, the Company received a note for $533 from a stockholder for the exercise of 400,000 stock options. The note is due in October 2000. Interest accrues at 8.5%, is payable at maturity, and the associated interest receivable is included in other assets in the Supplemental Consolidated Balance Sheets.

In 1997, the Company received notes for $230 from stockholders due in April 2002. These notes carry interest at a rate of 5% per annum. The notes were for the sale of a property occupied by a tenant unrelated to the Company.

In 1998, the Company granted an option to acquire one of its subsidiaries to parties related to three of its directors. The subsidiary's sole activity is the ownership of property together with a non-recourse bank loan of approximately $1,400. The exercise price of the option was set at the fair market value of approximately $403 and expires in May 2001.

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(12) 401(k) PLAN

During April 1995, the Company adopted a defined contribution plan (the "401k Plan") under Section 401(k) of the Internal Revenue Code. The 401k Plan allows eligible employees to make contributions up to a specified annual maximum contribution. Under the 401k Plan, the Company may, but is not obligated to, match a portion of the employees' contributions up to a defined maximum. The Company did not contribute to the 401k Plan during 1996 or 1997. The Company contributed $129 to the 401k Plan during 1998.

(13) SUPPLEMENTARY INFORMATION

During 1998, 1997, and 1996, the Company paid interest of $208, $229, and $74, respectively.

During 1998, 1997, and 1996, the Company paid $3,811, $2,267, and $1,906, respectively, for income taxes.

The Company entered into obligations under capital leases of $398 and $660 during the periods ended December 31, 1998 and 1997, respectively.

During 1997, the Company disposed of various fixed assets with an original cost of $199.

During 1997 and 1996, the Company paid $249 and $1,150 for executive signing bonuses, respectively. These amounts are included in general and administrative expenses.

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Exhibit 99.2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF SUPPLEMENTAL FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion and analysis relates to the Supplemental Consolidated Financial Statements of International Integration Incorporated ("i-Cube" or the "Company") as of December 31, 1998 and 1997 and for each of the three years in the period ending December 31, 1998.

On June 21, 1999, the Company acquired all of the outstanding common stock of Reportsent, Ltd. and its majority-owned subsidiary Conduit Communications Ltd., (collectively, "Conduit"), in exchange for approximately 2.4 million shares of i-Cube common stock. On May 25, 1999, the Company acquired all of the outstanding common stock of Tomorrow's Technology Today, Inc., ("T3"), in exchange for 89,640 shares of i-Cube common stock.

These transactions have been accounted for as poolings of interests and accordingly, the Supplemental Consolidated Financial Statements reflect the combined financial position and results of operations and cash flows of i-Cube, Conduit, and T3 for all periods presented. Upon publication of the Company's financial statements for a period which includes May 25, 1999 and June 21, 1999, the Supplemental Consolidated Financial Statements will become the historical consolidated financial statements of the Company.

Overview

The Company is an IT solutions provider specializing in consulting, electronic business, and transformation services for the complex IT environments inherent in the world's leading organizations. Since 1992, the Company has helped clients leverage their current business processes and technology infrastructure to create competitive advantage. The Company's solutions are based on open standards and architectures that are independent of any single vendor's hardware, software, or middleware. The Company makes use of i-Structure, a set of methodologies and tools which embody "best" practices in application development, project management, testing, and deployment. Utilizing a fixed-time/fixed-price model and a unique client teaming approach, the Company delivers solutions quickly, with full knowledge transfer to the client.

The Company derives substantially all of its revenues from consulting, electronic business and transformation services. The Company's services are principally provided on a fixed-time/fixed-price basis; however, as a result of the Conduit acquisition, a portion of the Company's revenues are derived from

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time and materials based contracts. In developing the fixed price of a project, the Company follows a process that assesses the technical complexity of the project, the nature of the work, the functions to be performed, the resources required to complete the engagement, and the extent to which the Company will deploy its internally-developed software tools to deliver the solution. The Company recognized revenues from fixed-time/fixed-price and time and materials-based contracts on the percentage-of-completion method of accounting.

For its fixed time/fixed price and larger projects, the Company's contracts typically call for an advance payment from its customers upon signing, with additional payments required upon the attainment of project milestones. For its time and materials and smaller projects, the Company typically receives payment ratably over the duration of the engagement. Deferred revenues consist principally of amounts billed in advance for the Company's technology consulting contracts that will be recognized upon performance and amounts billed to customers in excess of revenues recognized to-date.

During 1998, the Company expanded its operations by opening its European headquarters in Mannheim, Germany, bringing to three the number of locations from which the Company provides its services.

The Company has traditionally depended upon a few major clients for a majority of its revenues. During the year ended December 31, 1998, revenues from two clients accounted for 12% and 11% of the Company's net revenues. During the comparable period in 1997, revenues from three clients accounted for 20%, 13%, and 10% of the Company's net revenues. The percentage of revenues coming from the top five clients declined to 49% in 1998 from 58% in 1997. The loss of one or more major customers could have a material adverse effect on the Company's business, financial condition, and results of operations. Although the Company's strategy is to broaden its customer base, there can be no assurance that such customer concentration will actually diminish, and the Company anticipates that its results of operations in any given period will continue to depend to a significant extent upon contracts with a small number of customers. See "Certain Factors That May Affect Future Results".

The Company's revenues and earnings may fluctuate from quarter to quarter based on the number, size, and scope of projects in which the Company is engaged, the contractual terms and degree of completion of such projects, any delays incurred in connection with a project, the accuracy of estimates of resources required to complete ongoing projects, general economic conditions, and other factors. See "Certain Factors That May Affect Future Results".

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Recent Developments

On August 10, 1999, the Company announced that it had signed a definitive agreement to merge with Razorfish, a New York City-based information technology firm that provides Digital Change Management(sm) solutions. Under terms of the agreement, approved by each company's board of directors, each share of the Company will be exchanged for 0.875 shares of Razorfish, and Razorfish will be the surviving entity. The Company anticipates that the transaction will be accounted for as a pooling of interests.

The Company completed the initial public offering of 2,605,000 shares of its Common Stock on June 23, 1998 (including shares purchased by the underwriters pursuant to their over-allotment option). The net proceeds to the Company from these shares were approximately $27.9 million.

Results of Operations

The following table sets forth certain items included in the Company's Consolidated Statements of Income as a percentage of net revenues for the periods indicated:

	PERCENTAGE OF TOTAL REVENUES YEARS ENDED DECEMBER 31,		
	1998	1997	1996
STATEMENT OF INCOME DATA			
Net revenues	100%	100%	100%
Project personnel and software costs	49	45	40
Gross profit	51	55	60
Operating expenses:			
Selling and marketing	9	10	10
General and administrative	26	26	35
Restructuring costs	1	--	--
Total operating expenses	36	36	45
Operating income	15	19	15
Other income, net	2	1	--
Income before income taxes	17	20	15
Provision for income taxes	7	8	5
Net income	10%	12%	10%

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=== === ===

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net Revenues

The Company's net revenues increased by $17.9 million, or 46%, to $56.8 million for the year ended December 31, 1998 from $38.9 million for the year ended December 31, 1997. This increase in net revenues was primarily attributable to an increased volume of projects from new customers and the leveraging of existing client relationships to obtain repeat business. During the year ended December 31, 1998, the Company's five largest customers accounted for 49% of net revenues as compared to 58% for the year ended December 31, 1997. In the years ended December 31, 1998 and 1997, the Company had two and three customers, respectively, that each accounted for 10% or more of net revenues.

Project Personnel and Software Costs

Project personnel and software costs consist primarily of compensation and related costs of personnel dedicated to customer assignments and personnel assigned to developing and enhancing the Company's methodologies and technologies deployed during the project delivery process. Project personnel and software costs also include fees paid to subcontractors for work performed in connection with projects and non-reimbursed project travel expenses. Project personnel and software costs increased 56%, to $27.6 million, for the year ended December 31, 1998 from $17.6 million for the comparable period in 1997. As a percentage of net revenues, these costs were 49% in 1998 and 45% in 1997. The absolute dollar and percentage increases in project personnel and software costs in 1998 were primarily attributable to the hiring of additional and more experienced personnel required to deliver the Company's services and increases in per person compensation costs. Project personnel headcount, which includes contractors and employees working over 20 hours per week, increased to 286 at December 31, 1998 from 190 at December 31, 1997.

Selling and Marketing

Selling and marketing costs consist primarily of compensation and related costs of sales and marketing personnel, travel expenses, and marketing programs and promotion costs. Selling and marketing costs increased 36%, to $5.2 million, for

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the year ended December 31, 1998 from $3.8 million for the comparable period in 1997. As a percentage of net revenues, these costs were 9% in 1998 and 10% in 1997. The increase in selling and marketing costs in absolute dollars was primarily attributable to increased spending on promotional activities and increases in selling and marketing personnel. Selling and marketing personnel, which includes contractors and employees working over 20 hours per week, increased to 28 at December 31, 1998 from 26 at December 31, 1997.

General and Administrative

General and administrative costs consist primarily of compensation and related costs of the Company's management and administrative functions, including finance and accounting, human resources, internal information technology, and the costs of the Company's facilities and other general corporate expenses. General and administrative costs increased 46%, to $14.6 million, for the year ended December 31, 1998 from $10.0 million for the comparable period in 1997. As a percentage of net revenues, these costs were 26% in both years. The increase in general and administrative costs in absolute dollars was primarily attributable to an increase in general and administrative personnel and costs related to the opening of the Company's European headquarters. General and administrative employees, which include contractors and employees working over 20 hours per week, increased to 56 at December 31, 1998 from 44 at December 31, 1997.

Restructuring Costs

Restructuring costs in 1998 consist primarily of severance related costs at Conduit and were fully spent in the year ended December 31, 1998.

Other Income, Net

Other income, net consists primarily of interest income from the Company's cash, cash equivalents, and short-term investment balances and interest expense associated with fixed asset purchases made under the Company's equipment line of credit, obligations under capital leases and bank loans. Other income, net was $1.2 million and $0.3 million for the years ended December 31, 1998 and 1997, respectively. The increase in other income, net was principally due to the increase in cash, cash equivalents, and short-term investments which included net proceeds from the Company's initial public offering in the second quarter of 1998. The Company invests its cash, cash equivalents, and short-term investments primarily in overnight repurchase agreements, short-term U.S. Treasury and Agency bonds, and short-term commercial paper.

Provision for Income Taxes

The Company's combined effective rate for federal and state income taxes was 44% and 39% for 1998 and 1997, respectively.

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Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Net Revenues

The Company's net revenues increased by $19.2 million, or 98%, to $38.9 million for the year ended December 31, 1997 from $19.7 million for the comparable period in 1996. This increase in net revenues represents an increase in the number of customer projects from both new and existing customers plus an increase in the average size of projects. During the year ended December 31, 1997, the Company's five largest customers accounted for 58% of net revenues as compared to 55% for the comparable period in 1996.

Project Personnel and Software Costs

Project personnel and software costs increased 121%, to $17.6 million, for the year ended December 31, 1997 from $8.0 million for the comparable period in 1996. As a percentage of net revenues, these costs were 45% in 1997 and 40% in 1996. The increase in project personnel and software costs in absolute dollars was primarily attributable to an increase in the number of personnel required to deliver projects and increased per person compensation costs. The increase in project personnel and software costs as a percentage of net revenues was primarily attributable to an increase in compensation on both an absolute and per employee basis. Project personnel headcount, which includes contractors and employees working over 20 hours per week, increased to 190 at December 31, 1997 from 117 at December 31, 1996.

Selling and Marketing

Selling and marketing costs increased 100%, to $3.8 million, for the year ended December 31, 1997 from $1.9 million for the comparable period in 1996. As a percentage of net revenues, these costs were 10% in both years. The increase in selling and marketing costs in absolute dollars was primarily attributable to increased spending on promotional activities and increases in selling and marketing personnel. Selling and marketing personnel, which includes contractors and employees working over 20 hours per week, increased to 26 at December 31, 1997 from 17 at December 31, 1996.

General and Administrative

General and administrative costs increased 46%, to $10.0 million, for the year ended December 31, 1997 from $6.8 million for the comparable period in 1996. As a percentage of net revenues, these costs were 26% in 1997 and 35% in 1996. In 1996, the Company paid $1.2 million in bonuses to secure the services of certain executive officers of the Company. General and administrative personnel, which includes contractors and employees working over 20 hours per week, increased to 44 at December 31, 1997 from 23 at December 31, 1996.

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Other Income, Net

Other income, net consists primarily of interest income from the Company's cash, cash equivalents, and short-term investment balances and interest expense associated with fixed asset purchases made under the Company's equipment line of credit, obligations under capital leases and bank loans. Other income, net was $0.3 million and $55,000 for the years ended December 31, 1997 and 1996, respectively.

Provision for Income Taxes

The Company's combined effective rate for federal and state income taxes was 39% and 36% for 1997 and 1996, respectively.

Liquidity and Capital Resources

Prior to its initial public offering, the Company met its working capital requirements through cash generated from operations. In June 1998, the Company completed its initial public offering of common stock resulting in net proceeds to the Company of approximately $27.9 million. The Company also maintains a $5.0 million revolving line of credit (the "Line") with Silicon Valley Bank, which expires in September 1999. Under the Line, the Company may borrow the lesser of $5.0 million or 75% of eligible accounts receivable, as defined in the loan agreement. The Company is required to comply with certain operational and financial covenants under the Line if there are borrowings under the Line. At December 31, 1998 the Company was in compliance with these requirements and no borrowings have been made under the Line.

In May 1998, Conduit entered into a loan agreement with a major financial institution for $1.4 million for the purchase of a building currently occupied by Conduit. The principal balance is payable over 12 years in quarterly installments and bears interest at LIBOR +2% (8.18% at December 31, 1998). These quarterly installments increase throughout the term of the loan. The Company is required to comply with certain financial covenants under this loan agreement. At December 31, 1998, the Company was in compliance with these requirements. At December 31, 1998, $1.4 million was outstanding under the loan agreement which is collateralized by the building.

The Company's cash and cash equivalents balances increased to $36.0 million at December 31, 1998 from $11.6 million at December 31, 1997. The increase in cash was primarily due to proceeds from the Company's initial public offering and cash generated from operations. The Company's cash and cash equivalents balances increased to $11.6 million at December 31, 1997 from $5.2 million at December 31, 1996. This increase in cash was primarily the result of cash generated from operations. The Company's working capital was $39.3 million at December 31, 1998 as compared to $6.4 million at December 31, 1997 and $3.1 million at December

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31, 1996.

The Company's operating activities provided cash from operations of $6.8 million for the year ended December 31, 1998 as compared to $9.1 million provided from operations for the comparable period in 1997 and $1.9 million in 1996. The decrease in cash provided from operations in 1998 as compared to 1997 was due principally to a decrease in deferred revenues which was partially offset by a decrease in accounts receivable and an increase in accrued expenses. The decrease in deferred revenues in 1998 was the result of the timing of milestone billings on some of the Company's fixed-price contracts. The increase in cash from operations in 1997 as compared to 1996 was primarily the result of increases in net income, deferred revenues and accrued expenses.

The Company used cash of $10.3 million for investing activities for the year ended December 31, 1998 as compared to $4.2 million and $0.7 million used in the comparable periods of 1997 and 1996, respectively. Cash used for investing activities consisted primarily of purchases of short-term investments and purchases of property and equipment used to support the growing base of employees.

The Company's financing activities provided cash of $27.9 million for the year ended December 31, 1998 as compared to $1.6 million and $0.8 million provided by financing activities in the comparable periods of 1997 and 1996, respectively. The increase in cash provided by financing activities in 1998 mainly represents the net proceeds of $27.9 million from its initial public offering of common stock in June 1998.

New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income." This Statement requires that all items recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS No. 130 does not require a specific format for the financial statement in which comprehensive income is reported, but does require that an amount representing total comprehensive income be reported in that statement. The components of comprehensive income for the Company generally include foreign currency translation and unrealized gains or losses on short-term investments classified as available for sale.
These components are not material for the years presented.

In June 1997, the FASB issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, superseding SFAS No. 14, Financial Reporting for Segments of a Business Enterprise. SFAS No. 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements, and requires those enterprises to report selected information about operating segments in interim financial statements. It also requires disclosures about products and services, geographic areas, and major customers. The Company has determined that it has one reportable segment.

In March 1998, Statement of Position ("SOP") 98-1, "Accounting for the Cost of

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Computer Software Developed or Obtained for Internal Use," was issued which provides guidance in addressing whether and under what conditions the costs of internal-use software should be capitalized. SOP 98-1 is effective for transactions entered into in fiscal years beginning after December 15, 1998; however, earlier adoption is encouraged. The Company adopted the guidelines of SOP 98-1 as of January 1, 1998, and the impact of such adoption was not material to results of operations or of cash flows for the year ended December 31, 1998.

Year 2000

In the past, many information technology products were designed with two digit year codes that did not recognize century and millennium fields. As a result, these hardware and software products may not function or may give incorrect results with respect to dates after December 31, 1999. This problem is generally referred to as the "Year 2000" problem or issue. Substantially every company in the computer or information technology industries, as well as every company which relies on computer systems or which utilizes products which include embedded technology face the Year 2000 issue.

The Company is currently in the process of assessing its exposure to the Year 2000 problem. Generally, the Company is assessing its Year 2000 exposure in four major areas: (i) problems arising from systems previously developed for customers; (ii) delays in existing projects by the Company's customers as they shift internal resources to complete their Year 2000 mitigation, and delays in the purchasing patterns of clients and potential clients with respect to new projects; (iii) Year 2000 problems faced by the Company's

material suppliers which could have an impact on the Company's business, results of operations or financial condition; and (iv) Year 2000 problems existent in the Company's internal information technology ("IT") systems and non-IT systems.

The Company is in the process of assessing systems previously developed for customers and believes that they are Year 2000 compliant. However, there can be no assurances that the Company's systems do not contain undetected errors or defects associated with Year 2000 compliance issues, or that third party software included in the systems developed by the Company do not contain Year 2000 problems. Certain of the Company's agreements with its customers contain warranties that the systems developed by the Company will not experience Year 2000 problems. To the extent that a problem arises, the Company may be required to expend funds to remedy the problem or, if asserted, to pay damages incurred by the customer as a result of such failure. In addition, to the extent that a Year 2000 problem is identified in a system developed under a contract without a

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Year 2000 warranty, the Company may nevertheless expend resources to remedy the problem, in certain circumstances, at its own cost. Although the Company's contracts with its customers generally contain provisions which seek to insulate the Company from, or limit the amount of, any liability arising from claims asserted against the Company, there can be no assurance that any such limitations would be upheld in favor of the Company. The Company is aware of a growing number of lawsuits against other providers of IT services. Because of the unprecedented nature of such litigation, it is uncertain to what extent the Company may be affected by such litigation. Due to the complexity of the Year 2000 issue, upon any failure of critical client systems or processes that may be directly or indirectly connected or related to systems or software designed, developed, customized, or implemented by the Company as described above, the Company may be subjected to claims regardless of whether the failure is related to the services provided by the Company. If asserted, such claims (including the associated defense costs) could have a material adverse effect on the Company's business, operating results, and financial condition.

The Company is in the process of conducting a survey of its major customers to determine their Year 2000 readiness and the likelihood that the customers will delay scheduled or in-process contracts, or defer future contracts with the Company, in order to allocate more IT resources to solving their Year 2000 problems. In addition, the Company continually seeks feedback from its salespersons as to the impact that the Year 2000 readiness of prospective customers may have on the Company's future revenues. There can be no assurance that the Company's customers and prospective customers will not delay scheduled, in-process, or future projects as a result of their own Year 2000 remediation efforts. Any such delays could have a material adverse impact on the Company's business, operating results, and financial condition.

The Company has completed the process of determining the nature and extent of the work required, if any, to make its internal IT systems Year 2000 compliant. The Company's internal IT systems consist principally of its accounting and human resources software. The licensor of the software has indicated to the Company in writing that the products are Year 2000 compliant. Based on currently available information, the Company believes the expense associated with these efforts will be immaterial and has provided for the enhancement of these systems in its operating and capital budgets for the current fiscal year. However, if Year 2000 issues of which the Company is not currently aware arise and are not remediated on time, or if the Company is required to pay for any required updating, modification or replacement of the Company's information systems, the Year 2000 issue could have a material adverse impact on the Company's business, operating results, and financial condition. The Company is also assessing its utilization of non-IT systems which contain embedded technology such as microcontrollers. Following its determination of such utilization, the Company expects to contact the providers of any material non-IT systems to determine whether the systems are Year 2000 compliant, and if not, whether such systems will be remediated or will need to be replaced. In addition to the Company's internal systems, the Company relies on third party vendors in the conduct of its business. The Company is in the process of seeking assurances from its material vendors and suppliers that there will be no interruption of service as a result of the Year 2000 issue and to the extent such assurances are not given,

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the Company intends to devise contingency plans to ameliorate the negative effects on the Company in the event the Year 2000 issue results in the unavailability of services. There can be no assurance that any contingency plans developed by the Company will prevent any such service interruption on the part of one or more of the Company's third party vendors or suppliers from having a material adverse effect on the Company. In addition, the failure on the part of the accounting systems of the Company's clients due to the Year 2000 issue could result in a delay in the payment of invoices issued by the Company for services and expenses. A failure of the accounting systems of a significant number of the Company's clients would have a material adverse effect on the Company.

Through December 31, 1998, the Company had not incurred material costs directly relating to the remediation of Year 2000 problems. Pending further progress in its assessment of its exposure to the Year 2000 problem, as described in the preceding paragraphs, the Company is unable to estimate the costs of remediating the Year 2000 problem that it may incur in the future.

The Securities and Exchange Commission has asked publicly-traded companies to include a reasonable description of their most reasonably likely worst case Year 2000 scenario. As of the date of this report, the Company is uncertain as to such scenario, although the Company believes that it may include a situation where one of the Company's significant clients asks the Company to delay or

stop work on an ongoing project due to the client's internal Year 2000 issues. The Company intends to address this uncertainty by continuing to assess its exposure to the Year 2000 problem, as described above. The Company intends to consider this scenario in its financial and strategic planning for 1999 and 2000, including in its projected personnel needs and other areas. As of December 31, 1998, the Company is not able to estimate revenue lost due to Year 2000 issues.

The Company has not yet established a contingency plan for addressing the most reasonably likely worst case Year 2000 scenario. The Company intends to establish such a plan to the extent the Company believes it necessary to do so, based on the impact that such scenario is expected to have on the Company's business, operating results, and financial condition.

Safe Harbor Provision

This Form 8-K includes forward-looking statements (statements that are not historical facts) such as statements about future net revenues and profits, capital expenditures, liquidity sources and needs, working capital needs, increases in personnel and related costs, opening additional offices, general

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and administrative expenses, sales and marketing expenses, issues arising out of the Year 2000 problem and other costs, both in absolute terms and as a percentage of net revenues. These forward-looking statements are subject to several risks and uncertainties and the Company's actual future results may differ significantly from those stated in any forward looking statements for a variety of reasons, including those set forth in "Certain Factors That May Affect Future Results". The Company makes no commitments to disclose any revisions to forward-looking statements, or any facts, events or circumstances that may occur after the date of this Form 8-K that may have an impact on the forward-looking statements.

Certain Factors That May Affect Future Results

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Annual Report on Form 8-K and presented elsewhere by management from time to time.

The Company has entered into a Merger Agreement with Razorfish, Inc. and a subsidiary of Razorfish, Inc., pursuant to which, subject to the terms and conditions of the Merger Agreement, the Company would become a wholly-owned subsidiary of Razorfish. There can be no assurance that the Merger will be consummated. If the Merger is not consummated, there can be no assurance that the Company's results of operations and financial condition will not have been adversely affected by the Merger negotiations or the announcement of the Merger, by the passage of time following the signing of the Merger Agreement, or by other factors. If the Merger is consummated, stockholders of the Company will become stockholders of Razorfish, and as such will have the risks associated with an investment in that company.

The Company has completed, and may in the future pursue, acquisitions of companies, technologies or assets that complement the Company's business. The successful integration of acquired companies, technologies and assets, including Conduit and T3, is important to the future financial performance of the Company. The anticipated benefits of such acquisitions may not be achieved unless, among other things, the operations of acquired companies, technologies and assets, are successfully combined with those of the Company in a timely manner. The diversion of the attention of management, and any difficulties encountered in the transition process, could have an adverse impact on the revenues and operating results of the combined enterprise. There can be no assurance that the Company will be able to successfully integrate such acquisitions into the operations of the Company.

The Company's results of operations have varied significantly in the past and may vary significantly in the future, on a quarterly and annual basis, as a result of a variety of factors, many of which are outside the Company's control. The Company's expense levels are based, in significant part, on anticipated contract requirements and on other expectations of future revenues and are relatively fixed in the short-term. Consequently, if revenue levels are below expectations, including without limitation as a result of an unanticipated delay in or termination of a customer engagement, expense levels could be

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disproportionately high as a percentage of net revenues, and the Company's business, financial condition, and results of operations would be materially adversely affected.

The Company has historically derived, and may in the future derive, a significant amount of its net revenues from major engagements with a relatively small number of customers. Although the Company's largest customers have varied from period to period, the Company anticipates that its results of operations in any given period will continue to depend to a significant extent upon large contracts with a small number of customers. The loss of or a reduction in the level of services provided to one or more major customers would have a material adverse effect on the Company's business, financial condition, and results of operations. Furthermore, if a major customer were unable or unwilling to proceed with a project or to pay the Company for its services on a timely basis, the Company's business, financial condition, and results of operations could be materially adversely affected.

Many of the Company's projects are large, complex engagements that are performed by the Company over extended periods of time.

The Company is generally paid for these projects in installments, based on the achievement of certain milestones. The Company's ability to successfully complete these projects and to earn the milestone payments is based on factors within and outside the Company's control. Furthermore, because of the significant numbers of IT professionals assigned by the Company to these large projects, unexpected early terminations of any of such engagements could result in underutilization of project personnel until such persons can be redeployed to other projects. Conversely, an unexpected delay in the completion of a major engagement could result in a delay in the redeployment of project personnel to new assignments for which the Company is contractually committed to achieve milestones on a timely basis. The Company's failure or inability to meet a customer's expectations in the performance of its services could give rise to claims against the Company or damage the Company's reputation and adversely affect its ability to attract new business.

The Company generally undertakes projects on a fixed-time/fixed-price basis, and warrants defined project deliverables as specified in mutually agreed upon statements of work. In making proposals for fixed-time/fixed-price contracts, the Company relies on its estimated costs and timing for completing the project. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-time/fixed-price contracts, including delays caused by factors outside the Company's control, could affect the profitability of these contracts and have a material adverse effect on the Company's business,

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financial condition, and results of operations.

The Company's business, financial condition, and results of operations may be adversely affected by the Year 2000 problems described above.

The Company has experienced growth in net revenues and expansion of its operations which have placed, and are expected to continue to place, significant demands on the Company's managerial, operational, and financial resources. If the Company's management is unable to manage growth effectively, the Company's business, financial condition, and results of operations would be materially adversely affected.

The Company's success depends to a significant extent on its ability to attract, train, motivate, and retain highly-skilled IT professionals, particularly project managers, software engineers, and other senior technical personnel. There is currently a shortage of, and significant competition for, software development and other IT professionals with the advanced technological skills necessary to perform the services offered by the Company. This shortage has caused wages for such professionals to increase, which increases operating costs to IT service providers such as the Company. An inability to hire a sufficient number of qualified employees or an inability to retain employees could have a material adverse effect on the Company's business, financial condition, and results of operations. In addition, even if the Company is able to expand its team of highly-skilled IT professionals, the resources required to attract and retain such employees may adversely affect the Company's operating margins.

The time between the date of initial contact with a potential customer and the execution of a contract with that customer is often lengthy, typically ranging from six weeks for smaller engagements to nine months or more for the Company's larger engagements, and is subject to delays over which the Company has little or no control, including customers' budgetary constraints, customers' internal acceptance reviews, the success and continued internal support of customers' own development efforts, and the possibility of cancellation or delay of projects by customers. During such sales cycle, the Company may expend substantial funds and management resources and yet not obtain project awards or revenues.

The market for the Company's services is characterized by innovation and rapid technological change, evolving industry standards, and changing customer preferences. Both the needs of potential customers and the technologies available for meeting those needs can change significantly within a short period of time. The Company has derived a significant portion of its revenues from projects based primarily on client/server architectures. These technologies are continuing to develop and are subject to rapid change. Any factors negatively affecting the acceptance of such technologies could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company's future will depend, in part, on its ability to continually enhance its services, to develop services that address the needs of its customers and potential customers, and to continue to improve its i-Structure methodologies and technologies. There can be no assurance that the Company will be successful

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in developing and marketing services that respond to technological changes, that the Company will enhance its i-Structure methodologies and technologies on a timely or cost-effective basis, or that the Company's services, methodologies, and technologies will adequately meet the requirements of the marketplace.

The Company's future success depends to a significant extent on its executive officers. The loss of the services of any one or more of these individuals could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company operates in a highly competitive and rapidly changing market and competes with a variety of organizations that offer services similar to those offered by the Company. Many of these competitors have significantly greater financial, technical, sales and marketing resources and greater name recognition than the Company. There can be no assurance that the Company will be able to continue to compete successfully with its existing competitors or that it will be able to compete successfully with new competitors.

The Company's success and its ability to compete is dependent, in part, upon its proprietary rights, including its rights in i-Structure methodologies and technologies. The Company relies primarily on a combination of copyright, trademark, and trade secret laws to establish and protect its proprietary rights. There can be no assurance that such measures will be adequate to protect the Company's proprietary rights. Although the Company believes that its services and technologies do not infringe on the intellectual property rights of others, there can be no assurance that infringement claims will not be asserted against the Company in the future.

The Company's agreements with its customers typically contain provisions designed to limit the Company's exposure to claims relating to the Company's professional services and the applications developed by it. However, it is possible that the limitation of liability provisions contained in the Company's agreements may not adequately protect the Company or be effective under the laws of certain jurisdictions. A liability claim brought against the Company could have a material adverse effect on the Company's business, financial condition, and results of operations.

Software applications as complex as those developed by the Company frequently contain errors or defects, especially when first implemented. Any such defects or errors could result in delayed or lost revenues, adverse customer reaction, negative publicity regarding the Company and its services, and harm to the Company's reputation, or could require expensive corrections, any of which could have a material adverse effect on the Company's business, financial condition,

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and results of operations.

The Company is subject to a number of risks that can adversely affect its international operations, including difficulties administering its business globally, managing foreign operations, currency fluctuations, restrictions against the repatriation of earnings, the burdens of complying with a wide variety of foreign laws, the uncertainty of laws and enforcement in certain jurisdictions relating to the protection of intellectual property rights and multiple and possibly overlapping tax structures.

Quantitative and Qualitative Disclosures About Market Risk

The Company does not believe that there is any material market risk exposure with respect to derivative or other financial instruments that would require disclosure under this item.

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Exhibit 99.3

SELECTED SUPPLEMENTAL CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of the Company for the five years ended December 31, 1998 are derived from the Company's supplemental consolidated financial statements and notes thereto. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Supplemental Financial Condition and Results of Operations" and the supplemental financial statements and related footnotes included in this Form 8-K.
<TABLE>
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	YEARS ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
(in thousands, except per share data) STATEMENT OF INCOME DATA					
<S>	<C>	<C>	<C>	<C>	<C>
Net revenues	$56,793	$38,850	$19,659	$12,622	$5,112
Project personnel and software costs	27,562	17,630	7,961	4,408	2,627
Gross profit	29,231	21,220	11,698	8,214	2,485
Operating expenses:					
Selling and marketing	5,178	3,819	1,913	1,128	564
General and administrative	14,551	9,997	6,844	3,389	658
Restructuring costs	786	--	--	--	--
Total operating expenses	20,515	13,816	8,757	4,517	1,222
Operating income	8,716	7,404	2,941	3,697	1,263
Other income, net	1,218	252	55	92	11
Income before income taxes	9,934	7,656	2,996	3,789	1,274
Provision for income taxes	4,388	2,978	1,086	1,440	508
Net income	$ 5,546	$ 4,678	$ 1,910	$ 2,349	$ 766
Earnings per share:					
Basic	$ 0.32	$ 0.31	$ 0.13	$ 0.16	$ 0.05
Diluted	$ 0.26	$ 0.26	$ 0.12	$ 0.15	$ 0.05
Weighted average shares outstanding:					
Basic	17,363	15,113	14,911	14,809	14,600
Diluted	21,325	17,743	16,196	15,955	14,600

	DECEMBER 31,				
	1998	1997	1996	1995	1994

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(in thousands)					
BALANCE SHEET DATA					
Cash, cash equivalents, and short term investments	$44,312	$11,609	$ 5,150	$ 3,138	$ 1,183
Working capital	39,315	6,402	3,109	1,405	(570)
Total assets	61,042	27,726	14,374	9,591	3,218
Long-term obligations	2,222	2,393	512	477	321
Total stockholders' equity	44,198	9,892	4,474	2,337	(127)

</TABLE>

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Exhibit 99.4

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")

INDEX TO SUPPLEMENTAL CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(PREVIOUSLY FILED ON FORM 10-Q ON MAY 17, 1999)

Supplemental Consolidated Balance Sheets B-1

Supplemental Consolidated Statements of Income B-2

Supplemental Consolidated Statements of Cash Flows B-3

Notes to Supplemental Consolidated Financial Statements B-4

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
SUPPLEMENTAL CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	MARCH 31, 1999	DECEMBER 31, 1998
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$32,444	$36,010
Short-term investments	5,483	8,302
Accounts receivable, net of reserve of $255	12,188	6,380
Unbilled revenues	2,964	1,988
Prepaid expenses and other current assets	1,294	1,100
Deferred income taxes	156	157
Total current assets	54,529	53,937
Property and equipment, at cost:		
Computers and equipment	5,969	5,721
Building	1,954	1,944
Furniture and fixtures	1,865	1,841
Total property and equipment, at cost	9,788	9,506

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Less- accumulated depreciation	(3,255)	(2,674)
Total property and equipment, net	6,533	6,832
Other assets	508	273
Total assets	$61,570	$61,042
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,169	$ 2,244
Accrued expenses	5,144	6,590
Current portion of long-term obligations	403	384
Accrued income taxes	1,530	545
Deferred revenues	3,122	4,859
Total current liabilities	12,368	14,622
Long-term obligations	2,032	2,222
Stockholders' equity:		
Preferred stock $0.01 par value; 1,000,000 shares authorized; no shares issued or outstanding	--	--
Common stock $0.01 par value; 100,000,000 shares authorized; 19,254,729 and 18,758,111 shares issued and outstanding at March 31, 1999 and December 31, 1998, respectively	193	188
Additional paid-in capital	31,067	30,551
Note receivable from stockholder	(533)	(533)
Retained earnings	16,342	13,914
Accumulated other comprehensive income	101	78
Total stockholders' equity	47,170	44,198
Total liabilities and stockholders' equity	$61,570	$61,042

The accompanying notes are an integral part of these supplemental consolidated financial statements

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
SUPPLEMENTAL CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

THREE MONTHS
ENDED
MARCH 31,

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	1999	1998
Net revenues	$16,895	$12,825
Project personnel and software costs	7,594	6,329
Gross profit	9,301	6,496
Operating expenses:		
Selling and marketing	1,581	1,067
General and administrative	4,295	3,471
Total operating expenses	5,876	4,538
Operating income	3,425	1,958
Other income, net	421	115
Income before income taxes	3,846	2,073
Provision for income taxes	1,418	877
Net income	$ 2,428	$ 1,196
Earnings per share:		
Basic	$ 0.13	$ 0.08
Diluted	$ 0.11	$ 0.06
Weighted average shares outstanding:		
Basic	18,996	15,730
Diluted	23,021	18,699

The accompanying notes are an integral part of these supplemental consolidated financial statements

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
SUPPLEMENTAL CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

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THREE MONTHS ENDED MARCH 31,

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	1999	1998
Cash flows from operating activities:		
Net income	$ 2,428	$ 1,196
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	603	366
Provision for doubtful accounts	60	--
Deferred income taxes	1	(66)
Changes in operating assets and liabilities:		
Accounts receivable	(5,924)	(628)
Unbilled revenues	(976)	232
Prepaid expenses and other current assets	(205)	(245)
Accounts payable	(56)	497
Accrued expenses	(1,410)	327
Accrued income taxes	996	935
Deferred revenues	(1,676)	(3,501)
Other	(232)	(16)
Net cash used in operating activities	(6,391)	(903)
Cash flows from investing activities:		
Purchases of property and equipment	(481)	(524)
Purchases of available for sale securities	(3,488)	--
Sale and maturities of available for sale securities	6,307	--
Net cash provided by (used in) investing activities	2,338	(524)
Cash flows from financing activities:		
Repayment of long-term obligations	(18)	(58)
Repayments on line of credit	(16)	(7)
Proceeds from exercise of stock options	519	55
Net cash provided by (used in) financing activities	485	(10)
Effect of exchange rates on cash and cash equivalents	2	13
Net decrease in cash and cash equivalents	(3,566)	(1,424)
Cash and cash equivalents, beginning of period	36,010	11,609
Cash and cash equivalents, end of period	$32,444	$10,185

</TABLE>

The accompanying notes are an integral part of these supplemental consolidated financial statements

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
NOTES TO SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited supplemental consolidated financial statements have been prepared by International Integration Incorporated ("i-Cube" or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the Company's supplemental consolidated financial statements and notes thereto on this Form 8-K for the year ended December 31, 1998. The accompanying supplemental consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of results for these interim periods presented. The results of operations for the three month period ended March 31, 1999 are not necessarily indicative of results to be expected for the full year.

2. ACQUISITIONS

On May 25, 1999, the Company acquired all of the outstanding common stock of Tomorrow's Technology Today, Inc., ("T3") in exchange for 89,640 shares of i-Cube common stock.

On June 21, 1999, the Company acquired all of the outstanding capital stock of Conduit in exchange for approximately 2.4 million shares of the Company's common stock. The Company assumed the existing Conduit stock options which are transferable into approximately 0.5 million shares of the Company's common stock upon exercise.

These transactions have been accounted for as poolings of interests and accordingly, the Supplemental Consolidated Financial Statements reflect the combined financial position and results of operations and cash flows of i-Cube, Conduit, and T3 for all periods presented. Upon publication of the Company's financial statements for a period which includes May 25, 1999 and June 31, 1999, the Supplemental Consolidated Financial Statements will become the historical consolidated financial statements of the Company.

The results of operations for i-Cube and Conduit and the combined amounts presented in the accompanying Supplemental Consolidated Financial Statements are summarized below (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
Net revenues:		
i-Cube	$12,941	$ 8,925
Conduit	3,954	3,900
Combined	$16,895	$12,825
Net income (loss):		
i-Cube	$ 2,126	$ 1,376
Conduit	302	(180)
Combined	$ 2,428	$ 1,196

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Revenue and net income for T3 for the three months ended March 31, 1999 and 1998 were nominal and have been included in the respective i-Cube amounts in the above table.

On August 10, 1999, the Company announced that it had signed a definitive agreement to merge with Razorfish, a New York City-based information technology firm that provides Digital Change Management(sm) solutions. Under terms of the agreement, approved by each company's board of directors, each share of the Company will be exchanged for 0.875 shares of Razorfish, and Razorfish will be the surviving entity. The Company anticipates that the transaction will be accounted for as a pooling of interests.

3. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed using the weighted average number of common shares outstanding plus the dilutive effect of common stock equivalents (using the treasury stock method).

The following table reconciles the denominator of the basic and diluted earnings per share computation as shown on the Consolidated Statements of Income (in thousands):

	THREE MONTHS ENDED MARCH 31, 1999	1998
	(UNAUDITED)	
Basic common shares outstanding	18,996	15,730
Stock options	4,025	2,969
Diluted common and common equivalent shares	23,021	18,699

4. COMPREHENSIVE INCOME

The components of other comprehensive income for the Company generally include foreign currency translation adjustments and unrealized gains and losses on marketable securities classified as available-for-sale. The computation of comprehensive income is as follows (in thousands):

	THREE MONTHS ENDED MARCH 31, 1999	1998
	(UNAUDITED)	
Net income	$2,428	$1,196
Other comprehensive income	23	31

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Total comprehensive income................	$2,451	$1,227
	======	======

5. RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to current period presentation.

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Exhibit 99.5

INTERNATIONAL INTEGRATION INCORPORATED ("i-Cube")
MANAGEMENT'S DISCUSSION AND ANALYSIS OF SUPPLEMENTAL FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion and analysis relates to the Supplemental Interim Consolidated Financial Statements of International Integration Incorporated ("i-Cube" or the "Company") as of March 31, 1999 and December 31, 1998 and for the three month periods ending March 31, 1999 and March 31, 1998.

On June 21, 1999, the Company acquired all of the outstanding common stock of Reportsent, Ltd. and its majority-owned subsidiary Conduit Communications Ltd., (collectively, "Conduit"), in exchange for approximately 2.4 million shares of i-Cube common stock. On May 25, 1999, the Company acquired all of the outstanding common stock of Tomorrow's Technology Today, Inc., ("T3"), in exchange for 89,640 shares of i-Cube common stock.

These transactions have been accounted for as poolings of interests and accordingly, the Supplemental Consolidated Financial Statements reflect the combined financial position and results of operations and cash flows of i-Cube, Conduit, and T3 for all periods presented. Upon publication of the Company's financial statements for a period which includes May 25, 1999 and June 21, 1999, the Supplemental Consolidated Financial Statements will become the historical consolidated financial statements of the Company.

OVERVIEW

The Company is an information technology ("IT") solutions provider specializing in consulting, electronic business, and transformation services for the complex IT environments inherent in the world's leading organizations. Since 1992, the Company has helped clients leverage their current business processes and technology infrastructure to create competitive advantage. The Company's solutions are based on open standards and architectures that are independent of any single vendor's hardware, software, or middleware. The Company makes use of i-Structure, a set of methodologies and tools which embody "best" practices in application development, project management, testing, and deployment. Utilizing a fixed-time/fixed-price model and a unique client teaming approach, the Company delivers solutions quickly, with full knowledge transfer to the client.

The Company derives substantially all of its revenues from consulting, electronic business and transformation services. The Company's services are principally provided on a fixed-time/fixed-price basis; however, as a result of the Conduit acquisition, a portion of the Company's revenues are derived from time and materials based contracts. In developing the fixed price of a project, the Company follows a process that assesses the technical complexity of the

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project, the nature of the work, the functions to be performed, the resources required to complete the engagement, and the extent to which the Company will deploy its internally-developed software tools to deliver the solution. The Company recognized revenues from fixed-time/fixed-price and time and materials-based contracts on the percentage-of-completion method of accounting.

For its fixed time/fixed price and larger projects, the Company's contracts typically call for an advance payment from its customers upon signing, with additional payments required upon the attainment of project milestones. For its time and materials and smaller projects, the Company typically receives payment ratably over the duration of the engagement. Deferred revenues consist principally of amounts billed in advance for the Company's technology consulting contracts that will be recognized upon performance and amounts billed to customers in excess of revenues recognized to-date.

The Company has traditionally depended upon a few major clients for a majority of its revenues. During the three months ended March 31, 1999, revenues from three clients each accounted for 10% of the Company's net revenues. During the comparable period in 1998, revenues from four clients accounted for 16%, 12%, 11%, and 11% of the Company's net revenues. The percentage of revenues coming from the top five clients decreased from 57% for the period ended March 31, 1998 to 46% during the comparable period in 1999. The loss of one or more major customers could have a material adverse effect on the Company's business, financial condition, and results of operations. Although the Company's strategy is to broaden its customer base, there can be no assurance that such customer concentration will actually diminish, and the Company anticipates that its results of operations in any given period will continue to depend to a significant extent upon contracts with a small number of customers. See "Certain Factors That May Affect Future Results".

The Company's revenues and earnings may fluctuate from quarter to quarter based on the number, size, and scope of projects in which the Company is engaged, the contractual terms and degree of completion of such projects, any delays incurred in connection with a project, the accuracy of estimates of resources required to complete ongoing projects, general economic conditions, and other factors. See "Certain Factors That May Affect Future Results".

RECENT DEVELOPMENTS

On August 10, 1999, the Company announced that it had signed a definitive agreement to merge with Razorfish, a New York City-based information technology firm that provides Digital Change Management(sm) solutions. Under terms of the agreement, approved by each company's board of directors, each share of the Company will be exchanged for 0.875 shares of Razorfish, and Razorfish will be accounted for as a pooling of interests.

RESULTS OF OPERATIONS

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The following table sets forth certain items included in the Company's Consolidated Statements of Income as a percentage of net revenues for the periods indicated:

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
	(unaudited)	
Net revenues	100%	100%
Project personnel and software costs	45	49
Gross profit	55	51
Operating expenses:		
Selling and marketing	9	9
General and administrative	26	27
Total operating expenses	35	36
Operating income	20	15
Other income, net	2	1
Income before income taxes	22	16
Provision for income taxes	8	7
Net income	14%	9%

NET REVENUES

The Company's net revenues increased by $4.1 million, or 32%, to $16.9 million in the three months ended March 31, 1999 from $12.8 million for the comparable period in 1998. This increase in net revenues was primarily attributable to an increased volume of projects from new customers and the leveraging of existing client relationships to obtain repeat business. During the period ended March 31, 1999, the Company's five largest customers accounted for 46% of net revenues as compared to 57% for the period ended March 31, 1998. In the periods ended March 31, 1999 and 1998, the Company had three and four customers, respectively, that each accounted for 10% or more of net revenues.

PROJECT PERSONNEL AND SOFTWARE COSTS

Project personnel and software costs consist primarily of compensation and related costs of personnel dedicated to customer assignments and personnel assigned to developing and enhancing the Company's methodologies and

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technologies deployed during the project delivery process. Project personnel and software costs also include fees paid to subcontractors for work performed in connection with projects and non-reimbursed project travel expenses. Project personnel and software costs increased 20% to $7.6 million for the period ended March 31, 1999 from $6.3 million for the comparable period in 1998. As a percentage of net revenues, these costs were 45% for the period ended March 31, 1999 and 49% for the comparable period in 1998. The absolute dollar increase in project personnel and software costs for the period in 1999 was primarily attributable to the hiring of additional and more experienced personnel required to deliver the Company's services and increases in per person compensation costs. Project personnel headcount, which includes contractors and employees working over 20 hours per week, increased to 307 at March 31, 1999 from 233 at March 31, 1998.

SELLING AND MARKETING

Selling and marketing costs consist primarily of compensation and related costs of sales and marketing personnel, travel expenses, and marketing programs and promotion costs. Selling and marketing costs increased 48%, to $1.6 million, for the period ended March 31, 1999 from $1.1 million for the comparable period in 1998. As a percentage of net revenues, these costs were 9% for each of the periods ended March 31, 1999 and 1998. The absolute dollar increase in selling and marketing costs was primarily attributable to increased spending on promotional activities and increases in selling and marketing personnel. Selling and marketing personnel, which includes contractors and employees working over 20 hours per week, increased to 29 at March 31, 1999 from 23 at March 31, 1998.

GENERAL AND ADMINISTRATIVE

General and administrative costs consist primarily of compensation and related costs of the Company's management and administrative functions, including finance and accounting, human resources, internal information technology, and the costs of the Company's facilities and other general corporate expenses. General and administrative costs increased 24%, to $4.3 million, for the

period ended March 31, 1999 from $3.5 million for the comparable period in 1998. As a percentage of net revenues, these costs were 26% and 27% for the periods ended March 31, 1999 and 1998, respectively. The decline in general and administrative costs as a percentage of net revenues reflects slower relative

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hiring of and more efficient utilization of administrative staff as well as more efficient space utilization of the Company's facilities in 1999. The increase in general and administrative costs in absolute dollars was primarily attributable to an increase in general and administrative personnel. General and administrative employees, which include contractors and employees working over 20 hours per week, increased to 57 at March 31, 1999 from 50 at March 31, 1998.

OTHER INCOME, NET

Other income, net consists primarily of interest income from the Company's cash, cash equivalents, and short-term investment balances and interest expense associated with fixed asset purchases made under the Company's equipment line of credit and obligations under capital leases and bank loans. Other income, net was $0.4 million and $0.1 million for the periods ended March 31, 1999 and 1998, respectively. The increase in other income, net was principally due to the increase in cash, cash equivalents, and short-term investments, which included net proceeds from the Company's initial public offering in the second quarter of 1998. The Company invests its cash, cash equivalents, and short-term investments primarily in overnight repurchase agreements, short-term U.S. Treasury and Agency bonds, and short-term commercial paper.

PROVISION FOR INCOME TAXES

The Company's effective rate for federal and state income taxes was 37% and 42% for the periods ended March 31, 1999 and 1998, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Prior to its initial public offering, the Company met its working capital requirements through cash generated from operations. In June 1998, the Company completed its initial public offering of common stock resulting in net proceeds to the Company of approximately $27.9 million. The Company also maintains a $5.0 million revolving line of credit (the "Line") with Silicon Valley Bank, which expires in September 1999. Under the Line, the Company may borrow the lesser of $5.0 million or 75% of eligible accounts receivable, as defined in the loan agreement. The Company is required to comply with certain operational and financial covenants under the Line if there are borrowings under the Line. At March 31, 1999 the Company was in compliance with these requirements and no borrowings have been made under the Line.

In May 1998, Conduit entered into a loan agreement with a major financial institution for $1.4 million for the purchase of a building currently occupied by Conduit. The principal balance is payable over 12 years in quarterly installments and bears interest at LIBOR +2% (8.18% at December 31, 1998). These quarterly installments increase throughout the term of the loan. The Company is required to comply with certain financial covenants under this loan agreement. At March 31, 1999, the Company was in compliance with these requirements. At March 31, 1999, $1.4 million was outstanding under the loan agreement which is collateralized by the building.

The Company's cash and cash equivalents balances decreased to $32.4 million at

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March 31, 1999 from $36.0 million at December 31, 1998. The decrease in cash was primarily due to cash used in operations. The Company's working capital was $42.2 million at March 31, 1999 as compared to $39.3 million at December 31, 1998.

The Company's operating activities used cash from operations of $6.4 million for the period ended March 31, 1999 as compared to $0.9 million for the comparable period in 1998. The increase in cash used in operations was due principally to an increase in accounts receivable of $5.3 million as compared to the comparable period in 1998, an increase in unbilled revenues of $1.2 million as compared to the comparable period in 1998, and a decrease in accrued expenses of $1.7 million as compared to the comparable period in 1998. The increases in cash used in operations for the period ended March 31, 1999 as compared to the period ended March 31, 1998 were partially offset by a decrease in deferred revenues of $1.8 million from the prior year period and an increase in net income of $1.2 million from the prior year period. The increase in accounts receivable and unbilled revenues and the decrease in deferred revenues from December 31, 1998 to March 31, 1999 resulted from the timing of milestone billings on some of the Company's large fixed-price contracts and billings from a number of new engagements that were started near the end of the first quarter of 1999.

The Company's investing activities provided cash of $2.3 million for the period ended March 31, 1999 as compared to having used cash of $0.5 million in the comparable period of 1998. Cash provided by investing activities during the period ended March 31, 1999 consisted of maturities of short-term investments and was partially offset by purchases of short-term investments and purchases of property and equipment used to support the growing base of employees. Cash used for investing activities during the period ended March 31, 1998 consisted of purchases of property and equipment.

The Company's financing activities provided cash of $0.5 million for the period ended March 31, 1999 which mainly represents the proceeds from the exercise of stock options.

YEAR 2000

In the past, many information technology products were designed with two digit year codes that did not recognize century and millennium fields. As a result, these hardware and software products may not function or may give incorrect results with respect to dates after December 31, 1999. This problem is generally referred to as the "Year 2000" problem or issue. Substantially every company in the computer or information technology industries, as well as every company which relies on computer systems or which utilizes products which include embedded technology face the Year 2000 issue.

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The Company is completing the process of assessing its exposure to the Year 2000 problem. Generally, the Company is assessing its Year 2000 exposure in four major areas: (i) problems arising from systems previously developed for customers; (ii) delays in existing projects by the Company's customers as they shift internal resources to complete their Year 2000 mitigation, and delays in the purchasing patterns of clients and potential clients with respect to new projects; (iii) Year 2000 problems faced by the Company's material suppliers which could have an impact on the Company's business, results of operations or financial condition; and (iv) Year 2000 problems existent in the Company's internal information technology ("IT") systems and non-IT systems.

The Company has completed the assessment of systems previously developed for customers and believes that they are Year 2000 compliant. However, there can be no assurances that the Company's systems do not contain undetected errors or defects associated with Year 2000 compliance issues, or that third party software included in the systems developed by the Company do not contain Year 2000 problems. Certain of the Company's agreements with its customers contain warranties that the systems developed by the Company will not experience Year 2000 problems. To the extent that a problem arises, the Company may be required to expend funds to remedy the problem or, if asserted, to pay damages incurred by the customer as a result of such failure. In addition, to the extent that a Year 2000 problem is identified in a system developed under a contract without a Year 2000 warranty, the Company may nevertheless expend resources to remedy the problem, in certain circumstances, at its own cost. Although the Company's contracts with its customers generally contain provisions which seek to insulate the Company from, or limit the amount of, any liability arising from claims asserted against the Company, there can be no assurance that any such limitations would be upheld in favor of the Company. The Company is aware of a growing number of lawsuits against other providers of IT services. Because of the unprecedented nature of such litigation, it is uncertain to what extent the Company may be affected by such litigation. Due to the complexity of the Year 2000 issue, upon any failure of critical client systems or processes that may be directly or indirectly connected or related to systems or software designed, developed, customized, or implemented by the Company as described above, the Company may be subjected to claims regardless of whether the failure is related to the services provided by the Company. If asserted, such claims (including the associated defense costs) could have a material adverse effect on the Company's business, operating results, and financial condition.

The Company is continually monitoring its major customers to determine their Year 2000 readiness and the likelihood that the customers will delay scheduled or in-process contracts, or defer future contracts with the Company, in order to allocate more IT resources to solving their Year 2000 problems. In addition, the Company continually seeks feedback from its salespersons as to the impact that the Year 2000 readiness of prospective customers may have on the Company's future revenues. There can be no assurance that the Company's customers and prospective customers will not delay scheduled, in-process, or future projects as a result of their own Year 2000 remediation efforts. Any such delays could have a material adverse impact on the Company's business, operating results, and financial condition.

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The Company has completed the process of determining the nature and extent of the work required, if any, to make its internal IT systems Year 2000 compliant. The Company's internal IT systems consist principally of its accounting and human resources software. The licensor of the software has indicated to the Company in writing that the products are Year 2000 compliant. Based on currently available information, the Company believes the expense associated with making its internal IT systems Year 2000 compliant will be immaterial and has provided for the enhancement of these systems in its operating and capital budgets for the current fiscal year. However, if Year 2000 issues of which the Company is not currently aware arise and are not remediated on time, or if the Company is required to pay for any required updating, modification or replacement of the Company's information systems, the Year 2000 issue could have a material adverse impact on the Company's business, operating results, and financial condition. The Company has also completed the assessment of its utilization of non-IT systems which contain embedded technology such as microcontrollers. Based upon currently available information, the Company believes the expense associated with making its non-IT systems Year 2000 compliant will be immaterial and has provided for the enhancement of these systems in its operating and capital budgets for the current fiscal year. In addition to the Company's internal systems, the Company relies on third party vendors in the conduct of its business. The Company has received assurances from its material vendors and suppliers that there will be no interruption of service as a result of the Year 2000 issue. However, there can be no assurance that we will not experience interruptions of service due to the Year 2000 issue resulting in a material adverse effect on the Company. In addition, the failure on the part of the accounting systems of

the Company's clients due to the Year 2000 issue could result in a delay in the payment of invoices issued by the Company for services and expenses. A failure of the accounting systems of a significant number of the Company's clients would have a material adverse effect on the Company.

Through March 31, 1999, the Company had not incurred material costs directly relating to the remediation of Year 2000 problems. Pending further progress in its assessment of its exposure to the Year 2000 problem, as described in the preceding paragraphs, the Company is unable to estimate the costs of remediating the Year 2000 problem that it may incur in the future.

The Securities and Exchange Commission has asked publicly-traded companies to include a reasonable description of their most reasonably likely worst case Year 2000 scenario. As of the date of this report, the Company is uncertain as to such scenario, although the Company believes that it may include a situation where one of the Company's significant clients asks the Company to delay or stop work on an ongoing project due to the client's internal Year 2000 issues. The Company intends to address this uncertainty by continuing to assess its exposure to the Year 2000 problem, as described above. The Company intends to consider this scenario in its financial and strategic planning for 1999 and 2000, including in its projected personnel needs and other areas. As of March 31,

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1999, the Company is not able to estimate revenue lost due to Year 2000 issues.

The Company has not yet established a contingency plan for addressing the most reasonably likely worst case Year 2000 scenario. The Company intends to establish such a plan to the extent the Company believes it necessary to do so, based on the impact that such scenario is expected to have on the Company's business, operating results, and financial condition.

SAFE HARBOR PROVISION

This Form 8-K includes forward-looking statements (statements that are not historical facts) such as statements about future net revenues and profits, capital expenditures, liquidity sources and needs, working capital needs, increases in personnel and related costs, opening additional offices, general and administrative expenses, sales and marketing expenses, issues arising out of the Year 2000 problem and other costs, in qualitative terms, as a percentage of net revenues, and in qualitative terms. These forward-looking statements are subject to several risks and uncertainties and the Company's actual future results may differ significantly from those stated in any forward looking statements for a variety of reasons, including those set forth below in "Certain Factors That May Affect Future Results". The Company makes no commitments to disclose any revisions to forward-looking statements, or any facts, events or circumstances that may occur after the date of this Form 8-K that may have an impact on the forward-looking statements.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

The following important factors, among others, could cause actual results to differ materially from those indicated in forward-looking statements made in this Form 8-K and presented elsewhere by management from time to time.

The Company has entered into a Merger Agreement with Razorfish, Inc. and a subsidiary of Razorfish, Inc., pursuant to which, subject to the terms and conditions of the Merger Agreement, the Company would become a wholly-owned subsidiary of Razorfish. There can be no assurance that the Merger will be consummated. If the Merger is not consummated, there can be no assurance that the Company's results of operations and financial condition will not have been adversely affected by the Merger negotiations or the announcement of the Merger, by the passage of time following the signing of the Merger Agreement, or by other factors. If the Merger is consummated, stockholders of the Company will become stockholders of Razorfish, and as such will have the risks associated with an investment in that company.

The Company has completed, and may in the future pursue, acquisitions of companies, technologies or assets that complement the Company's business. The successful integration of acquired companies, technologies and assets, including Conduit and T3, is important to the future financial performance of the Company. The anticipated benefits of such acquisitions may not be achieved unless, among other things, the operations of acquired companies, technologies and assets, are successfully combined with those of the Company in a timely manner. The diversion of the attention of management, and any difficulties

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encountered in the transition process, could have an adverse impact on the revenues and operating results of the combined enterprise. There can be no assurance that the Company will be able to successfully integrate such acquisitions into the operations of the Company.

The Company's results of operations have varied significantly in the past and may vary significantly in the future, on a quarterly and annual basis, as a result of a variety of factors, many of which are outside the Company's control. The Company's expense levels are based, in significant part, on anticipated contract requirements and on other expectations of future revenues and are relatively fixed in the short-term. Consequently, if revenue levels are below expectations, including without limitation as a result of an unanticipated delay in or termination of a customer engagement, expense levels could be disproportionately high as a percentage of net revenues, and the Company's business, financial condition, and results of operations would be materially adversely affected.

The Company has historically derived, and may in the future derive, a significant amount of its net revenues from major engagements with a relatively small number of customers. Although the Company's largest customers have varied from period to period, the Company anticipates that its results of operations in any given period will continue to depend to a significant extent upon large contracts with a small number of customers. The loss of or a reduction in the level of services provided to one or more major customers would have a material adverse effect on the Company's business, financial condition, and results of operations. Furthermore, if a major customer were unable or unwilling to proceed with a project or to pay the Company for its services on a timely basis, the Company's business, financial condition, and results of operations could be materially adversely affected.

Many of the Company's projects are large, complex engagements that are performed by the Company over extended periods of time. The Company is generally paid for these projects in installments, based on the achievement of certain milestones. The Company's ability to successfully complete these projects and to earn the milestone payments is based on factors within and outside the Company's control. Furthermore, because of the significant numbers of IT professionals assigned by the Company to these large projects, unexpected early terminations of any of such engagements could result in underutilization of project personnel until such persons can be redeployed to other projects. Conversely, an unexpected delay in the completion of a major engagement could result in

a delay in the redeployment of project personnel to new assignments for which the Company is contractually committed to achieve milestones on a timely basis. The Company's failure or inability to meet a customer's expectations in the performance of its services could give rise to claims against the Company or damage the Company's reputation and adversely affect its ability to attract new business.

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The Company generally undertakes projects on a fixed-time/fixed-price basis, and warrants defined project deliverables as specified in mutually agreed upon statements of work. In making proposals for fixed-time/fixed-price contracts, the Company relies on its estimated costs and timing for completing the project. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-time/fixed-price contracts, including delays caused by factors outside the Company's control, could affect the profitability of these contracts and have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company's business, financial condition, and results of operations may be adversely affected by the Year 2000 problems described above.

The Company has experienced growth in net revenues and expansion of its operations which have placed, and are expected to continue to place, significant demands on the Company's managerial, operational, and financial resources. If the Company's management is unable to manage growth effectively, the Company's business, financial condition, and results of operations would be materially adversely affected.

The Company's success depends to a significant extent on its ability to attract, train, motivate, and retain highly-skilled IT professionals, particularly project managers, software engineers, and other senior technical personnel. There is currently a shortage of, and significant competition for, software development and other IT professionals with the advanced technological skills necessary to perform the services offered by the Company. This shortage has caused wages for such professionals to increase, which increases operating costs to IT service providers such as the Company. An inability to hire a sufficient number of qualified employees or an inability to retain employees could have a material adverse effect on the Company's business, financial condition, and results of operations. In addition, even if the Company is able to expand its team of highly-skilled IT professionals, the resources required to attract and retain such employees may adversely affect the Company's operating margins.

The time between the date of initial contact with a potential customer and the execution of a contract with that customer is often lengthy, typically ranging from six weeks for smaller engagements to nine months or more for the Company's larger engagements, and is subject to delays over which the Company has little or no control, including customers' budgetary constraints, customers' internal acceptance reviews, the success and continued internal support of customers' own development efforts, and the possibility of cancellation or delay of projects by customers. During such sales cycle, the Company may expend substantial funds and management resources and yet not obtain project awards or revenues.

The Company's success may depend on its ability to make strategic acquisitions from time to time. The competition to acquire appropriate companies is fierce, with the result that the acquisition prices for these Companies may be high. In addition, the high stock prices of publicly traded technology companies, that are comparables for companies the Company may wish to acquire, have further driven up the prices of potential acquisition candidates. As a result, there can be no assurances that the Company will be able to make strategic acquisitions at

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favorable prices, if at all.

The market for the Company's services is characterized by innovation and rapid technological change, evolving industry standards, and changing customer preferences. Both the needs of potential customers and the technologies available for meeting those needs can change significantly within a short period of time. The Company has derived a significant portion of its revenues from projects based primarily on client/server architectures. These technologies are continuing to develop and are subject to rapid change. Any factors negatively affecting the acceptance of such technologies could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company's future will depend, in part, on its ability to continually enhance its services, to develop services that address the needs of its customers and potential customers, and to continue to improve its i-Structure methodologies and technologies. There can be no assurance that the Company will be successful in developing and marketing services that respond to technological changes, that the Company will enhance its i-Structure methodologies and technologies on a timely or cost-effective basis, or that the Company's services, methodologies, and technologies will adequately meet the requirements of the marketplace.

The Company's future success depends to a significant extent on its executive officers. The loss of the services of any one or more of these individuals could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company operates in a highly competitive and rapidly changing market and competes with a variety of organizations that offer services similar to those offered by the Company. Many of these competitors have significantly greater financial, technical, sales and marketing resources and greater name recognition than the Company. There can be no assurance that the Company will be able to continue to compete successfully with its existing competitors or that it will be able to compete successfully with new competitors.

The Company's success and its ability to compete is dependent, in part, upon its proprietary rights, including its rights in i-Structure methodologies and technologies. The Company relies primarily on a combination of copyright, trademark, and trade secret laws to establish and protect its proprietary rights. There can be no assurance that such measures will be adequate to protect the Company's proprietary rights. Although the Company believes that its services and technologies do not infringe the intellectual property rights of others, there can be no assurance that infringement claims will not be asserted against the Company in the future.

The Company's agreements with its customers typically contain provisions designed to limit the Company's exposure to claims relating to the Company's

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professional services and the applications developed by it. However, it is possible that the limitation of liability provisions contained in the Company's agreements may not adequately protect the Company or be effective under the laws of certain jurisdictions. A liability claim brought against the Company could have a material adverse effect on the Company's business, financial condition, and results of operations.

Software applications as complex as those developed by the Company frequently contain errors or defects, especially when first implemented. Any such defects or errors could result in delayed or lost revenues, adverse customer reaction, negative publicity regarding the Company and its services, and harm to the Company's reputation, or could require expensive corrections, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

The Company is subject to a number of risks that can adversely affect its international operations, including difficulties administering its business globally, managing foreign operations, currency fluctuations, restrictions against the repatriation of earnings, the burdens of complying with a wide variety of foreign laws, the uncertainty of laws and enforcement in certain jurisdictions relating to the protection of intellectual property rights and multiple and possibly overlapping tax structures.

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