Internet Services Portal Site

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This business plan raised $20 million for an innovative company's new portal Web site offering a proprietary service which "demystifies" how to effortlessly use the Internet for consumers and businesses alike.

EXECUTIVE SUMMARY

Net Solutions is a dynamic new entrant in the Internet product and services marketplace. Through powerful marketing tools including their own proprietary product line called The Solutions, direct response television commercials, personalized outbound telemarketing and the retail channel, Net Solutions has successfully demonstrated the ability to effectively acquire customers-to the current tune of 90,000 with 20,000 more being added each month.

Internet Service Providers, web hosting firms, e–Commerce solution companies and traditional brick and mortar retailers are all part of the clamor for market share and brand positioning. The "e–rush" has forced customer acquisition costs to unprecedented levels and in turn has created significant opportunities for the marketing and Internet savvy company. Enter Net Solutions!

Objectives

Net Solutions' vision is to build an Internet portal site, unlike anything currently in existence, and to combine this portal site with a unique and exciting product that will lead both consumers and businesses onto the Internet to the Net Solutions portal. The definition of an Internet portal site is the primary destination that users access to start their experience on the Internet. The Net Solutions portal site will subsequently be the 'jumping off point' for all TWC users.

Mission

Net Solutions' mission is to provide users with a tangible set of tools that will allow them to easily LEARN, CONNECT to, and EXPERIENCE the Internet in an innovative and powerful way. This "Learn, Connect, & Experience" methodology, is the core business principle driving Net Solutions' unique product, The Solutions.

The product that will accomplish these goals is The Solutions. The Solutions combines leading third party software with a unique user 'front end', which makes the Internet easy to understand and use, demystifies the otherwise overwhelming amount of information the Internet holds, and in so doing, brings tremendous value to Net Solutions' customers.

Net Solutions has chosen to focus both on the consumer and small business Internet marketplace. Subsequently, a variety of The Solutions are currently in various stages of development to serve both niches.

The Solutions is currently being sold, and has brought over 90,000 new customers to Net Solutions' portal site to date. Purchasing The Solutions allows business users to quickly and easily establish an eCommerce enabled Web site, and to build a successful and viable Internet–based business. Net Solutions provides all the assistance necessary for these businesses to get their products or services to market quickly, professionally, and in a form that brings maximum value to them. Net Solutions' consumer division is currently planning the release of three

new Solutions packages, including The Solutions for Grown Ups, The Solutions for Women, and The Solutions for Kids. These Solutions are focused on Communities, each to their individual market segment. Each community will provide a simple and efficient way for their respective audiences to become confident in using the Internet.

Net Solutions' focus in creating these communities will be to:

- Develop community environments which are based on extensive market research, focus groups, etc., to ensure that our products, services, and community content closely fulfills the needs of our target audiences;
- Make a substantial investment in creating a well–known trusted brand to communicate our image for value, dependability, and ease of use;
- Select content specifically suited to our communities; and
- Drive multiple Internet and non–Internet dependent revenue streams.

Growth Strategy

Net Solutions has extensive plans for internal growth, which will be fueled by a comprehensive marketing and sales program. This program is designed to drive revenue generation through a combination of technology leadership, and partnering with other leading Internet–focused companies.

Net Solutions' integrated marketing strategy is focused on the establishment of multiple online and off– line revenue streams. The initial and most important revenue stream will be the sale of The Solutions itself. Each user purchasing a Solutions package will be directed through the installation process to the Net Solutions portal site. From there, all the usage information that the user generates will be tracked and stored by Net Solutions, utilizing proprietary profiling technology.

Net Solutions will subsequently take advantage of incremental revenue generating partnerships as the user progresses with their Internet experience.

This includes:

- Partnerships with Internet Service Provider's (ISP's)-Existing and future partnerships with leading ISP's will generate incremental revenue for each Net Solutions user who purchases The Solutions and then signs up for access with the ISP. Currently, Net Solutions receives $30 to $50 for each user signed up through Piper Network.
- Computer and Accessory Sales-Net Solutions is currently in negotiation with leading computer and computer accessory manufacturers to provide Net Solutions access with the sale of this equipment.
- Periodic Solutions Upgrades-Net Solutions will provide periodic upgrades to The Solutions which will add new services and features. Some of these upgrades will be charged for, and that will provide instant income from the existing Net Solutions user community.
- E–Business Tools-Net Solutions currently sells products and services to enable both individuals and companies to setup and run their own online web–based businesses, and where appropriate to build their own "online merchant status" as well.
- Products and Services Sold to the Net Solutions User Community-Net Solutions will feature specific products and/or services that are relevant to the interests of the Net Solutions user community. These products will be offered to the communities from the individual community start pages and will generate additional income for Net Solutions while providing niche–targeted incremental value to the users of those communities.
- Click–Through Incremental Revenue-Net Solutions will allow content focused banner advertising that brings incremental value to the Net Solutions communities. Net Solutions will be remunerated for each "click–through" that a community user follows from the Net Solutions portal site.
- Sponsorships/Co–Branding-Net Solutions will sponsor specific opportunities, products, or services that

bring incremental value to the Net Solutions communities. Additionally, Net Solutions will co–brand other incremental products and/or services. These sponsorships and co–branded opportunities will generate additional income for Net Solutions from the programs setup with these Net Solutions partners.

- Membership Program Benefits-Net Solutions will sponsor a membership program allowing the Net Solutions user community to earn 'reward points' for various activities and/or online purchases. Through the Net Solutions channel program a portion of these reward benefits will be paid to Net Solutions itself from participating merchants and vendors.
- OEM Licensing-Net Solutions will provide licenses of our proprietary technology for use by retailers, manufacturers, and financial institutions, or any OEM that is approved by Net Solutions for this purpose.

Net Solutions' initial efforts will continue to focus on the U.S. market for 2001. In the year 2001, Net Solutions intends to extend its marketing initiatives to other Internet–intensive countries. Additionally, Net Solutions intends to begin a multi–media advertising campaign with EG Partners, a research, strategic development and advertising firm that specializes in marketing to people over age 50. Also, Net Solutions intends to run a public relations campaign, which will be managed by the well–known PR International agency. This campaign will significantly increase Net Solutions' market presence and awareness of Net Solutions products, services, and technologies, while supporting the company's brand building programs.

MARKET ANALYSIS

The viability of Net Solutions' marketing and sales strategy has been extremely successful with The Solutions Business Edition. From the initial implementation of this strategy in early 2001 to present, Net Solutions has sold over 70,000 Solutions packages, bringing in the same number of Net Solutions customers. New Solutions packages are currently being sold at the rate of approximately 15,000 per month as of October 2001. Internet traffic on our portal site has grown to 1,950,000 hits per month. Compared to the largest existing Internet retailers today as measured by Media Metrix, this number would rank Net Solutions tenth in terms of number of actual page views per month. Net Solutions has existing portal technology that provides a unique user interface and high–degree of user retention. Additionally, Net Solutions has several patents currently pending in reference to their proprietary technologies that track, define, and create secure targeted user content.

Competition

There is no current competition from any existing Internet–based company. Net Solutions' content sensitive multi–faceted approach will quickly bring a substantial user base to the Net Solutions portal. As Net Solutions products and services become more popular, undoubtedly other retailers, ISP's, and online merchants will set up 'copy cat' web sites. Net Solutions has, however, first–mover advantage, and also intends to partner and license our technology as appropriate Internet history shows us that the companies that lead the way technologically on the Internet sustain huge growth leads regardless of their eventual competition. Like Ebay, Amazon.com, and Yahoo, Net Solutions will pave a new road in online access and content delivery, bringing extensive incremental value to the Net Solutions user communities and driving future customer growth and retention.

OPERATIONS

The Solutions development is managed by Net Solutions and includes a combination of in–house and outsourced development efforts. Physical packaging, assembly and distribution is done by an out-sourced fulfillment center. Portal development is specifically managed by Net Solutions, with design work done both by in–house development staff and outsourced technology providers.

Management Summary

Net Solutions' management team consists of eight highly skilled individuals. Individually these people have extensive expertise in all the various aspects of Net Solutions' business, and as a team they represent a level of business acumen and personal integrity that is rarely seen in the industry today.

Financial Analysis

Net Solutions is currently self–sufficient on an operations and cash flow basis. The financing required at this stage is to be used for further development of the Net Solutions portal site and for the associated Solutions kits. Under the existing growth expectation, it would take Net Solutions approximately three years to develop and bring to market the initial retail Solutions. With this financing, Net Solutions will be able to bring these new Solutions packages to market by the end of 2001, subsequently greatly accelerating the time to profitability status. The financial requirement is approximately $20 million for the three Consumer Solutions.

Financial projection
(in thousands)

	FY2001	FY2002	FY2003	FY2004
Revenue	$ 13,032	$ 93,929	$ 168,553	$ 263,956
Gross margin, % of revenue	70%	65%	71%	76%
Operating profit (loss)	$ (10,946)	$ (5,894)	$ 32,606	$ 90,814
Operating margin, % revenue	(84%)	(6%)	19%	34%
Net profit (loss)	$ (11,072)	$ (5,866)	$ 28,313	$ 63,594
Net profit (loss), % revenue	(85%)	(6%)	17%	24%
Return on assets, %	N/A	(31%)	80%	90%
Return on equity, %	N/A	(38%)	100%	84%

SUMMARY

Net Solutions' Solutions is a unique product that will capture the interest of consumers and business users alike. Net Solutions' customer driven products and value focused vision and mission insures the success of the company, and this model has already been proven through existence of the current Net Solutions user community. Net Solutions' portal site represents an exciting attempt to change the formula for what makes an Internet portal site successful. Additionally, Net Solutions' business model will drive users to its site, which is unlike the way any company does it today. Net Solutions users will initially access the Net Solutions portal site, because the portal site will be synonymous with the Solutions experience, which is why the user purchased it to begin with. This means that every consumer who purchases a Solutions will in fact, become a Net Solutions portal site user. This "captive audience" brings tremendous value to Net Solutions, while at the same time providing Net Solutions with an incredible opportunity to focus its sales and marketing campaigns.

Companies like America Online have counted on giving their software away for free and based on this have signed up a very small percentage of the total users who received a copy of the software. Net Solutions, on the other hand, will target its Solutions packages directly to the consumer or business user, and will be able to guarantee that every copy of the software sold turns into a direct online user accessing the portal site!

By focusing the content of the site for each user, and by offering those users a unique, user–friendly interface, Net Solutions is positioning itself to be the only portal site in existence to offer Internet access for the average, non–technical consumer or business user. This brings tremendous value to these individuals and will drive the success of the company as the leading Internet portal site.

MARKETING & SALES

Market Analysis

The rapid growth of the Internet, from the beginning of its popularization in the early 1990s, is one of the most widely studied and discussed technical and business phenomena in history, rivaled only by the growth of personal computing with which it is inextricably linked. There are believed to be 80 million Americans who currently use the Internet, with involvement ranging from occasional e–mail message exchanges to daily multi–hour surfing and exploratory sessions.

Today's Internet provides an abundance of services and information, on almost every conceivable topic: news, sports, travel, personal finance, computing, entertainment, games, shopping, fitness and health, families, kids interests, and much more. However, many people are not yet completely comfortable with using a personal computer, much less with accessing the Internet; many people are actually intimidated by this technology.

Further, many of the less–frequent Internet users are not even aware of the range of information or services available to them. Additionally, there are some 170 million Americans who don't currently use the Internet at all. This is where Net Solutions comes in. By providing a radically simplified solution for accessing the Internet, demystifying the content provided by the Internet, and bringing a strong value proposition to these users, Net Solutions will fulfill its goal of bringing the Internet to the masses.

Net Solutions believes that its new integrated Solutions software will draw millions of new users to the Internet, and that each of these new users will identify with their specific Net Solutions user community. In so doing, these users will become revenue–producing community members.

Differentiating Net Solutions' Approach

One of the primary benefits of using the Internet is its ability to tie together people with diverse backgrounds from disparate locations all over the world. Net Solutions' unique approach of marketing the Solutions to different market segments will create virtual communities online. These communities will consist of various groups of consumers or business users who will interact with each other because of their common interests.

Net Solutions' portal site will incorporate the best technology characteristics of the top portal sites, delivering common search, chat, email, shopping, eCommerce, etc., across all virtual communities.

The marketing approach will be:

- Build the environment around the demographics and customer requirements as specified by the individual Solutions;
- Design a technically advanced graphical user interface that is simple, secure and fun to use;
- Develop and deploy the initial community service model through high quality relevant links;
- Drive the marketing and sales approach to reach a critical mass of members; and
- Increase the lifetime value of each customer.

Business Strategy

Net Solutions' business model is comprised of three essential ingredients that, when combined, create a powerful central theme:

- Understand (With the Solutions)
- Link Up (To the Internet)
- Enjoy (The Net Solutions portal environment)

Understand-The Solutions, the Company's lead product, is an integrated suite of award winning components

from the industry's top vendors. The Solutions is a comprehensive tutorial package that enables individuals of all ages and skill levels to learn the Internet. The Solutions supports both the Macintosh and Windows platforms, giving consumers an easy way to harness the Internet's enormous potential as a tool for entertainment, communication, education, information and commerce. The Solutions will target niche market audiences with several different editions (Kids' Solutions, Women's Solutions, Grown–Ups' Solutions, etc.). Each component of the Solutions is carefully selected for inclusion based on ease–of–use and the depth and breadth of information it provides to the user. Net Solutions will maintain a competitive advantage by changing the content of the Solutions to keep up with the latest trends in the industry. With no technology anchor, the Solutions will always contain the most current award–winning products from leading manufacturers.

Link Up-An integral component in the Solutions is Internet Access. Access is offered through premier Internet service providers. These ISPs will work with us to offer incremental value added products and services to our customers.

Enjoy-Net Solutions intends to build the Net Solutions portal experience into one of the premier Internet portal sites. Net Solutions will accomplish this by combining technology that provides advanced search capabilities, e–mail, chats, shopping, eCommerce and forums, with user–specific theme focused content. This intuitive user–friendly site will provide a destination where consumers of all age groups will be able to find exactly the information they need. The site will be the first celebrity endorsed destination of its kind, providing an experience unlike anything else in existence today.

Most of the well–known Internet access providers and retail online businesses today use a business model that requires their members to remain with them long enough so that their purchases or monthly fees cover the customer acquisition and service cost. Because these companies are in a constant mode of customer acquisition and growth, sustainable revenue always seem to be just out of reach.

Net Solutions' business model, on the other hand, eliminates these problems by:

- Funding the cost of sales through the up–front sale of the Solutions product;
- Bringing incremental value to the base Solutions services and charging a monthly fee for these incremental services;
- Taking advantage of the Net Solutions 'captured audience' in the form of both focused sales efforts and through third party revenue sharing; and
- Amassing a bevy of sponsorships and partnerships with third party Internet companies that can bring additional incremental value to Net Solutions customers.

Net Solutions is committed to building sustainable long–term relationships with our customers; relationships that are focused on bringing the utmost value to the Net Solutions customer, with the single goal of retaining that customer's loyalty indefinitely.

PRODUCTS & SERVICES

Net Solutions' communities are the heart of their marketing strategy. Initially, four specific communities and related Solutions products are either already in existence or are nearing final completion and release. They include:

- The eBusiness Community-people of all ages who want to build their own e–Businesses;
- The Children's Community-children generally in the 7–10 age bracket;
- The Women's Community-women generally in the 30–49 age bracket; and
- The Grown–Up Community-Grown–Ups who are older than 50.

Net Solutions' Solutions

Each Solutions package has a modern, attractive, compelling appearance suitable for display in high– traffic

retail settings and in print and television ads. The graphics on each Solutions package are designed to appeal to their specific community audience.

The specific contents of each Solutions package varies and is tailored to bring the most value to the specific community for which it is designed. Each Solutions package contains various combinations of printed books, CD–ROMs with interactive instructional material and software, instructional videotapes, and a broad range of additional components tailored to each specific Community. These elements are currently drawn from existing third–party products, and in the future may be created by Net Solutions in–house.

Net Solutions is committed to building in a high degree of user friendliness into each Solutions product. To that end, Net Solutions hosts focus groups and performs exhaustive research in the content decision–making process.

The current retail price of the Solutions is $45.95, regardless of its community focus. This price does not include incremental services offered to specific communities.

The E–Business Solutions

Demographics: The typical customer for the Net Solutions E–Business Solutions is in their 40s, with 70% of them being men. They frequently have some personal computer experience. They have heard of the Internet, and may have had some simple, infrequent contact with it, but generally lack significant Internet experience or skills.

Advertising: Our advertising to this group primarily utilizes direct response television, with plans to expand into radio and print advertising in the future. The content and approach of this advertising addresses potential job dissatisfaction and the opportunity for freedom and a new career that awaits through the establishment of an online business. Among the E–Business opportunities in this advertising is included:

- The ability to sell any product they choose;
- The ability to subscribe to a "virtual warehouse" comprised of companies that will OEM and drop ship their products;
- The ability to participate in business to business franchise opportunities.

Contents of the E–Business Solutions

Each Solutions package has some items that are unique to the specific Solutions inquestion, and some generic products that are contained in every Solutions.

The following is a list of items in the E–Business Solutions:

- Solutions Installation CD
- Oolong 2.2 CD
- Internet Professor CD
- Internet Professor manual
- Internet Professor video
- Solutions to the Internet poster
- Virtual Warehouse Packet
- SBN Yellow Pages brochure
- Custom Web page brochure
- CSI Brochure and $195 check
- Consultant phone die–cut card
- Net Solutions banner ad brochure
- Mouse pad

There have been over 70,000 E–Business Solutions packages sold to date, and another new 20,000 are currently selling every month.

The Solutions for Kids

Demographics: The Kids' Solutions will appeal to children as a fun way to learn to use the Internet: to communicate, to read, to play games, to find entertainment, to develop skills (such as typing) and to do school projects. It will be designed to be non–intimidating, simple, and well organized. While this applies to all Net Solutions' Solutions, it's especially true here: the Kids' Solutions will provide access to only selected information that kids actually need access to.

There are approximately 22 million U.S. households with children who do not have access to the Internet, compared to the existing 13 million that do. Research shows that the majority of these other households hold concerns about the content that children could accidentally gain access to. The Kids' Solutions contains a host of security software to address this concern.

Advertising: Our advertising to this group primarily utilizes direct response television, with plans to expand into radio and print advertising in the future. The content and approach of this advertising addresses parents concerns over the content their children can access on the Internet. Included is a detailed explanation of the content controls that this particular Solutions package offers parents, while at the same time providing a glimpse of the wonderful benefits children would get out of Internet access.

Contents of the Kids' Solutions

Each Solutions package has some items that are unique to the specific Solutions in question, and some generic products that are contained in every Solutions package.

The following is a list of items in the Kids' Solutions:

- Kids Owners Manual
- Intro to the Internet book
- Access Software
- Browser and email software
- Toys/games/entertainment CD
- Educational Tools CD
- Parental Control Software
- Discount Coupons
- Mouse Pad
- Other toys and special offers

The Kids' Road Map is scheduled for launch in November 2001.

The Women's Solutions

Demographics: Selection of women as one of Net Solutions' initial communities was prompted in part by the growing role women are playing in the evolution of the Internet; women comprise 45 percent of all Internet users, a figure projected to grow to 60 percent by 2002. Moreover, women control or influence 80 percent of all purchase decisions, and the Internet is becoming more and more merchandising oriented. 27 percent of women going online cite interest in finding information helpful to their personal lives, and 63 percent cite the Internet as important for finding information to assist with purchasing decisions.

Advertising: Our advertising to this group primarily utilizes radio, print advertising and television commercials. The content and approach of this advertising addresses the desire women have to drive self–empowerment-to make the Internet work for them. Included in this Solutions campaign will be the specifics of

interest to these women.

Contents of the Women's Solutions

Each Solutions package has some items that are unique to the specific Solutions in question, and some generic products that are contained in every Solutions package.

The following is a list of items in the Women's Solutions:

- Getting Started Pamphlet
- Discount Coupons
- Access Software
- Women–oriented applications
- Security Software
- Mouse Pad
- Learn the Net for Women (manual, video, and CD ROM Tutorial)

The Women's Solutions package is scheduled for launch in November 2001.

The Solutions for Grown–ups

Demographics: Part of Net Solutions' decision to tailor this Solutions to Grown–Ups was influenced by the fact that baby boomers account for 25 percent of all Americans 50 and over (every day 10,000 baby– boomers turn 50, and will for the next 20 years). Additionally, although constituting only 27 percent of the population, they represent $1.6 trillion in purchasing power; 65 percent of the net worth of U.S. households; 77 percent of all financial assets; 80 percent of all luxury travel; and so on. Subsequently, it is reasonable to assume that this community will be interested in the multitude of valuable deal that this Solutions package will bring to them.

Advertising: The Grown–Ups Solutions is designed to appeal to users over the age of 50. The product is designed to provide a simple and efficient way for them to build Internet competency, and access the resources that have the most value to them. Our advertising to this group primarily utilizes radio, print advertising and television commercials. The content and approach of this advertising addresses the desire these individuals have to learn more and take stronger control of their lives. Highlighted in this campaign will be the wealth of information available to them as well as time and cost savings that the Internet can bring them.

Contents of the Grown–Ups Solutions

Each Solutions package has some items that are unique to the specific Solutions in question, and some generic products that are contained in every Solutions package.

The following is a list of items in the Grown–Ups Solutions:

- Getting Started Booklet
- Intro to the Internet Video
- Access Software
- Email Software
- Mouse Pad
- Fraud Protection Booklet
- Bonus Software
- Online Magazine Subscriptions
- Discount Coupons

The Grown–Ups Solutions is scheduled for launch in the first quarter of 2002.

Future Solutions Packages

Net Solutions' strength in bringing new Solutions to market is its ability to replicate the Solutions Community and the relevant product line. As new commercially attractive Communities are identified, Net Solutions will be able to quickly create a Solutions package for the Community, and get it to market with very little development time required. The focus of future Solutions packages will be primarily based on interests or hobbies. The content will be more editorial than tutorial. The value proposition will be focused on "saving time and money" as opposed to "learning how to use the Internet".

CONCLUSION

The Internet is not a fad, but rather a keystone of the new economy. Companies that have established themselves as the market leaders of this new economy are the ones that have blazed the way, bringing new types of content and incremental value to consumers. These companies include the likes of AOL, Yahoo!, Amazon.com, and Ebay.

An analogy of the future of the Internet from Net Solutions' point of view is what has occurred in the broadcast television industry. In broadcast television, the major networks gave way to the cable industry. In the beginning, no one thought that a channel dedicated to specific types of users would be successful, and yet as the industry grew it became obvious that this approach was in fact the most successful one. Now the cable industry is proliferated with dozens of specialty channels each focused on particular user communities.

The leaders in the Internet industry today can be classified into two categories. They are either portal sites that offer an overwhelming amount of information to consumers, or they are product or service specific sites that offer comprehensive information referring to a specific product or service. Net Solutions is taking this approach to its obvious next step, combining information with products and services, and targeting specific user communities, just like the cable television industry did to broadcast television.

Net Solutions has positioned itself to join the ranks of companies that have blazed new ground on the Internet. Over the long term it will be companies like Net Solutions that continue to lead the way and redefine how consumers communicate with each other, entertain themselves and shop. Net Solutions is creating the future of the Internet and in so doing is establishing itself as a company that is here to stay, for the long term.

MARKETING & SALES

Selling Channels

The channels that Net Solutions chooses to be the focus of the Sales Plan represent the method that Net Solutions intends to take to get its products to market. These include the Direct Response Channel and the Retail Channel.

The Direct Response Channel-Our existing business with sales of over 20,000 units per month is based on the Direct Response channel. We currently have several infomercials featuring celebrities from various highly popular situation comedies now aired on network TV. These infomercials and other short commercials have proven to be highly effective tools for selling the Solutions packages directly to consumers.

The Retail Channel-While the Direct Response Channel has been a profitable approach for the Business Solutions, it is questionable as to whether it will be successful for the Consumer Solutions which will soon be available. Subsequently, Net Solutions will pursue the Retail Channel as our primary means of getting these Solutions out to market. The results that Net Solutions expects include:

- Creating a positive association with the expectations of the Internet experience through the consumer's relationship with the store it was purchased in;

- Substantiating Net Solutions' goals through a branding or OEM approach to sales; and
- Maximizing potential sales volume.

Solutions' colors and graphics have been designed for maximum appeal and exposure at retail display. Dimensions allow for maximum facings in end–cap locations and power wings. Graphics have been chosen, with focus group input, for customer appeal and stopping power, perceived value and legibility.

International Sales

Net Solutions intends to extend its Solutions packages and Net Solutions portal concepts to other countries. We will first engage English–speaking countries, and then extend our business to prominent non–English speaking countries where enthusiasm for the Internet is greatest. In the latter case, Japan and the Spanish–speaking countries, particularly Latin America, are currently at the top of the list.

STRATEGIC ALLIANCES

Net Solutions relies heavily on strategic alliances with existing companies, both in the Internet industry as well as other companies that have products or services that bring incremental value to the Net Solutions communities. Some of these alliances include:

- Plum Products: provides marketing assistance to InterOne for the over–50 market segment;
- RTC Computer: provides web object technology for Business Solutions user web–site development;
- Cash Cow: provides merchant status (credit–card acceptance) to users of the Business Solutions;
- Robert Arker, LLC.: produces the television infomercials for Business Solutions;
- Technology Inc.: performs hardware integration and testing for our portal system;
- Oolong: provides local Internet services to Solutions users;
- HHB Associates: provides accounting and auditing services to Net Solutions;
- Space Inc.: provides a secure physical location for our portal system, plus backbone Internet connectivity;
- Harley & Davis: developing our portal system;
- Tower Solutions: provides outsourced Solutions assembly, inventory and distribution;
- Sam Smith PR: our public relations agency;
- Image Consultants: provides retail product packaging design and consultation; and
- TeleMart, Inc.: provides inbound telemarketing services.

ADVERTISING

Advertisers want to be where the people are, and the people are increasingly online. This points out just how important market share is and will continue to be. We believe television data points out that it is relative market share, not absolute market share that matters most. No one disputes that the Big Three lost ground to cable. However, by still having a much larger relative audience draw, the networks have been able to maintain their position in total advertising volumes on a declining absolute audience base.

Advertisers pay for cable's effectiveness in targeting audiences. For advertisers who desire to reach a more targeted audience, cable channels and the Internet offer unique opportunities. Cable offers uniquely targeted audiences that may be small, but are highly effective. For advertisers that want to target specific markets, cable offers something broadcast does not-effectiveness. What cable lacks in reach it makes up in effectiveness.

At present, the Internet can be thought of as a niche or specific target market because only 22% of the country is wired, compared with television market penetration of 98%. Therefore Internet advertising can be thought of in a similar way as cable advertising-a targeted marketing medium. The Internet can go one step further,

however, because it is interactive.

Net Solutions' strategy is to initially take advantage of the broadcast and cable television markets in airing specific infomercials that will be targeted at sometimes broad and sometimes specific markets. Additionally, Net Solutions will also utilize the Internet for advertising, however this advertising will mostly take the form of interactive programs, OEM relationships, and value added revenue streams. Net Solutions believes that its approach will become widespread and will be one of the catalysts in raising the percentage of Internet connected households well above the 22% mark. As that happens, Net Solutions will already be positioned to transform its advertising strategies to be less television based and more interactively online focused.

We have three main goals for the advertising and promotional support for the Solutions products:

1. Establish and build brand awareness;
2. Support sales efforts to get product placed in retail; and
3. Plan and execute sales promotion campaigns that will move product off retail shelves.

We expect to accomplish these goals through a combination of activities, including:

- Media advertising through traditional media;
- Sales promotion campaigns including couponing;
- Point of sale displays;
- Incentive promotions for retailers including cooperative advertising;
- Publicity; and
- Events.

Focus Group Research

We are conducting a series of focus groups for each product's market profile. Focus group participants will be a combination of:

- People who are familiar with and can use a personal computer, but who are not on the Internet; and
- People who do not have any experience with a personal computer.

The goal of each series of focus groups is to test the following product and promotional attributes:

- Product concept
- Product packaging/messaging
- Base components (essentials)
- Add–ons
- Book, Brochures
- Bonus Software
- Pricing
- Advertising
- Would they Buy It?

ORGANIZATION

Management Team

Net Solutions' management team is comprised of individuals who each have extensive experience in various aspects of Net Solutions' business strategies, and effectively add value to the management team with their unique and specific skillsets. The management team includes:

- Chairman of the Board-Bill Travis. During his three decades of technology and business leadership, Mr.

Travis served as Chairman and CEO of world-famous RTC Computer; Chairman, President and CEO of Oolong; as well as President of GlassCommunication Systems, a unit of Glass International. He is an IEEE Fellow, and holds 10 patents alone or jointly. He earned Bachelors, Masters and Doctorate degrees from MIT.

- Director-Mark Wilson. Mr. Wilson has been with the Farmington Hills, Michigan law firm of Bookman & Wilson since 1970. He is counsel for numerous companies in the computer hardware and software industries. He is an adjunct professor at the Wayne State School of Business, and a frequent lecturer on issues facing new ventures and entrepreneurs.
- Chief Operating Officer-Diane Billips. Ms. Billips was Executive Vice President and Chief Marketing Officer of First Bank. Prior to that, she was industry manager of the bank's global Entertainment, Gaming and Media Industries Group, and managed the Group's $3 billion credit portfolio. She launched the first Washington–based office for Ivan International, and worked for Young Industries as a product manager. She earned degrees in finance and marketing, and a Masters degree in business. She is an alumnus of the University of Wisconsin.
- Chief Financial Officer-Mark Hill. Mr. Hill was Chief Financial Officer of Connext, Inc., a web hosting company, and led its financial team in the sale of the company to publicly traded Johnson Thomas Corporation. Prior to that, he served as Chief Financial Officer of Tidwell Management, a Washington–based telecommunications startup that was sold to a publicly traded firm. He is a Certified Public Accountant, and has a Masters in Business Administration degree in finance with honors from the Denison College.
- Vice President, Internet Business Division-Claudia Rathbun. Ms. Rathbun, a consultant to and investor in the company, has agreed to become Vice President, Internet Business Division. Before her relationship with the company, she served as President and principal owner of Rathbun Investments, Inc. for approximately 10 years. Concurrently with that position, Ms. Rathbun served as Vice President of a major energy company from 1995 through 1998. She also served as General Manager of a competing firm from 1992 to 1995. She studied Business and Economics at Indiana University.
- Vice President, Marketing; Company Founder-Sabrina Brooks. Ms. Brooks co–founded Ink Corporation in 1997 and has been instrumental in its marketing, creative direction, fund raising, and growth. As the leader of the company's direct response broadcast campaigns, he cast and acquired its celebrity spokesperson. He has been central to creating the current management line–up and Board of Directors. Previously he was employed by Tidwell Management. He attended University of Michigan.
- Director of Web Development-Ted Silson. Mr. Silson previously served as Director of Web Development at Blue Networks where he project managed and programmed secure web sites for mid–sized and large companies. Before that, he was Managing Director of Magenta Design, and consultant to Wilson Media. He also founded and directed Images Digital Photography. He earned undergraduate degrees in photography from the University of Cincinnati. He also studied advanced imaging and programming at Michigan Technological University.

OPERATIONS

Customer Service/Product Support

Net Solutions is committed to superior levels of customer satisfaction. To this end we have built an internal customer service department. This department is staffed by knowledgeable people who are also skilled in being effective on the telephone in interpersonal relationship management. Our commitment to our customers is our one and only goal, and our Customer Service department has already earned extensive positive feedback from our users.

The Net Solutions Portal Site

The Net Solutions portal site is the actual Web site that our community users will interact with, and that will be their own "onramp" to the Internet. As such, it is the heart of our entire environment. The portal site will constantly be in a state of development so that we can assure its content will always be fresh and its appearance unique. The community users will be unaware of this development effort. Some of the specific functions of the Portal site include:

- Hosting the Net Solutions community web pages - the primary Internet services that complement the Solutions;
- Facilitating access to Net Solutions' e–commerce customer web sites, including merchant functions (e.g., credit card handling);
- "Click–through" access to a wide variety of Net Solutions partners driven by an "advertising engine" that will randomly place unobtrusive graphical elements on users' screens inviting them to click through and inquire further;
- A wide variety of general information "feeds", e.g., financial quotations, weather forecasts, general news, and entertainment feeds;
- Fully interactive "search engine" software to allow users to search the entire World Wide Web while providing customer service improvement information to Net Solutions;
- A complete, free e–mail and chat system;
- A "smart–browser" facility, to facilitate URL requests, scan e–mail content for undesirable words, and track usage patterns of users both internal and external to Net Solutions' portal.

Technology

The intent for the Net Solutions portal site is that it takes advantage of the leading technologies available today on the Internet, and does so completely transparently to the consumer. This means there will be no "plugins" to download, and no third–party applications that must be run. This will require a considerable development effort. Net Solutions has outsourced this functionality, including the hosting of the Net Solutions portal site. This will allow Net Solutions to enter the market with lower capital costs and stay in step with technology support and growth.

Fulfillment

The manufacturing of the Solutions themselves involves injection–molding the containers, assembling the various elements that the Solutions contain, and physically distributing the Solutions to the appropriate sales channels. This work is being done by Tower Solutions, one of the world's largest assembler/distributor (fulfillment) companies; we expect to use this method for the foreseeable future. Assembly and distribution is under Net Solutions' direction; it is our responsibility to ensure that purchase orders for individual elements have been placed, that a credit–card submission by a user is valid prior to shipping a Solutions package and that the customer is satisfied after receiving and installing the product.

Intellectual Property Protection

Net Solutions' intellectual property exists in three forms: the Web site names it uses; various product and idea names and appearances; and specific technical designs and concepts. Existing Internet domain names have been registered on behalf of Net Solutions, and we expect that in the course of business that new domains will also be registered. Key trademark registrations have been issued for "Net Solutions" and "Solution", and as business continues, more trademarks will also be registered. To date, approximately 20 trademarks have been applied for, in areas ranging from our proprietary technologies to the installation processes and applications we have developed.

Promotions

The primary objectives of the Company's promotion plans are to:

- Inform and persuade potential customers to purchase the product;
- Build brand identity to drive retail sales and sales of special OEM projects;
- Drive traffic to the Net Solutions portal site as a premiere destination for Solutions users; and
- Enrich Net Solutions' corporate image to build confidence with its suppliers, employees, dealers, and financial partners.

Net Solutions' promotion strategy consists of advertising, personal selling, publicity and sales promotion.

Public Relations

Net Solutions has retained Sam Smith for public relations. Sam Smith is a worldwide firm with 112 offices globally. They serve many high technology clients, including Compaq, Oracle, Netscape and Sun Microsystems, and they have participated in several product launches. Net Solutions' public relations plan is designed to establish and build corporate and brand identity and to complement other aspects of the Company's marketing and communications efforts. To date, the Company has received the following publicity:

- Television: CNN, MSNBC, FOX, Silicon Valley Business News;
- Radio: ABC Radio;
- Periodicals: Business Week, PC World, Home PC, Better Homes and Gardens, Home, Buzz, Billboard, Succeed, Marketing Computers; etc.
- Newspapers: Washington Post, New York Times, Chicago Tribune, Cincinnati Enquirer.

Awards

A national parent group supporting educational products of excellence awarded Net Solutions its prestigious 2000 Parents' Choice Approval for The Solutions. Winning products are chosen by a national panel of parents, teachers, librarians and psychologists and are selected based on their link to values and education for children.

FINANCIAL ANALYSIS

Net Solutions is currently self–sufficient on an operations and cash flow basis. The financing required at this stage is to be used for further development of the Net Solutions portal site and for the associated Solutions kits. Under the existing growth expectation, it would take Net Solutions approximately three years to develop and bring to market the initial retail Solutions. With this financing, Net Solutions will be able to bring these new Solutions to market by the end of 2001 subsequently greatly accelerating the time to profitability status. The financial requirement is approximately $25 million for the three Consumer Solutions.

Profit and loss
(in thousands)

	FY2001	FY2002	FY2003	FY2004
Revenue	$ 13,032	$ 93,929	$ 168,553	$ 263,956
Cost of sales	$ 3,957	$ 33,016	$ 49,155	$ 62,394
Gross profit	$ 9,075	$ 60,913	$ 119,398	$ 201,562
Gross margin,% revenue	70%	65%	71%	76%
Sales & marketing	$ 15,336	$ 47,688	$ 55,217	$ 66,277

	FY2001	FY2002	FY2003	FY2004
Sales & marketing, % revenue	118%	51%	33%	25%
R&D/product development	$ 1,199	$ 11,557	$ 20,404	$ 29,910
R&D/product development, % revenue	9%	12%	12%	11%
General & administration	$ 3,486	$ 7,563	$ 11,171	$ 14,560
General & administration, % revenue	27%	8%	7%	6%
Other income (expense)	$ (126)	$ 28	$ 26	$ 24
Income (loss) before taxes	$ (11,072)	$ (5,867)	$ 32,632	$ 90,839
Income (loss) before taxes,% revenue	(85%)	(6%)	19%	34%
Income tax expense	$ -	$ -	$ 4,318	$ 27,244
Net income (loss)	$ (11,072)	$ (5,867)	$ 28,314	$ 63,595
Net income (loss), % revenue	(85%)	(6%)	17%	24%

Balance sheet
(in thousands)

	FY2001	FY2002	FY2003	FY2004
Current assets	$ 4,371	$ 15,174	$ 49,507	$ 120,119
Total assets	$ 5,094	$ 16,840	$ 50,875	$ 120,942
Current liabilities	$ 3,632	$ 3,214	$ 8,924	$ 15,382
Total equity	$ 1,462	$ 13,625	$ 41,950	$ 105,560
Total liabilities and equity	$ 5,094	$ 16,840	$ 50,875	$ 120,942

Cash flow
(in thousands)

	FY2001	FY2002	FY2003	FY2004
Cash flow from operations	$ (9,510)	$ (12,121)	$ 25,892	$ 63,585
Cash flow from investing activities	$ (663)	$ (1,597)	$ (595)	$ (504)
Cash flow from financing activities	$ 10,993	$ 18,000	$ -	$ -
Net change in cash	$ 821	$ 4,282	$ 25,297	$ 63,081
Ending cash	$ 639	$ 4,921	$ 30,218	$ 93,299