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network solutions for an e-world

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**PROGRESS REPORT**  
**JUNE 2004**

## Dear Shareholders:

As we approach the midpoint of 2004, I am pleased to update you on recent developments and continued progress at NetVersant Solutions since our year-end 2003 report.

NetVersant produced stabilized operating results during the fourth quarter of 2003 and first quarter of 2004. Improved margins and profitability, continued positive cash flow and a corresponding reduction in debt over this period are noteworthy accomplishments, particularly amid the continuing difficult economic environment in which the Company has had to navigate. As we look toward the second half of 2004, NetVersant will remain focused on these important financial objectives, but with an expectation that, given the continued improving business climate — our backlog of business is up more than 15% over the previous year — we hope to see the return of top-line growth.

This report addresses recent enhancements to NetVersant's operating structure and organization that will effectively complete our transition to one fully integrated operating entity. Originally organized as individual and self-contained operating companies, NetVersant, since inception, has focused on creating both a structure and culture conducive to providing consistent quality, service and expertise to national customers with multiple locations.

As discussed previously, our initial steps focused on branding NetVersant nationally, implementing the Oracle business information system, standardizing benefit and incentive compensation programs, and tackling other measures designed to create a "One NetVersant" culture within our operating companies.

With those initiatives completed, the logical next step has been to more efficiently structure our sales and operations organization in a manner consistent with NetVersant's overall customer and service objectives: to create the most cost-efficient deployment model while preserving quality service and best-in-class status for our core service offerings — network infrastructure, wireless, telephony and electronic security system services.

### SALES AND MARKETING

To effectively and consistently market our services to local, regional and national customers, the Company in early 2004 organized its sales resources into a single vertically integrated team. Our sales organization is comprised of local and national account executives who are coordinated and managed by regionally based market sales directors. Rob Macchi, Executive Vice President – Sales & Business Development, will lead the overall effort and report directly to the Chief Executive Officer.

With this structure, we create a more effective sales force — one that will market consistently to customers and be better equipped to capitalize on cross-selling opportunities, both geographically and by service line.

A consistent message of the many advantages NetVersant can offer customers will be beneficial in growing sales and expanding our national account opportunities.

### OPERATIONS

With the change in our sales organization came a similar reformation of our service delivery model. The concept of individual local operating companies has been replaced with geographic *Customer Support Centers* (CSCs) grouped into five operating regions that report up through Regional Vice Presidents.

By separating operating responsibilities from sales and marketing, the CSC general managers can focus on maximizing the efficiency and profitability of the services we offer. It further allows NetVersant to leverage on their operational expertise and a shared services model to benefit the entire operation with streamlined processes that are centralized or regionalized.

Importantly, this new structure positions NetVersant to provide even greater support to our most valuable customer service resource: our project managers and technical staff. Better organization of the Company's line of business expertise, coupled with appropriate training, will allow us to further capitalize on the most professional and well-trained technical group in the industry.

We have also changed the name of our corporate office in Houston to better reflect its charter: to support local, regional and national sales and operating efforts. The *NetVersant Resource Center* (NRC) is home to human resources, legal counsel, IT and Oracle support, procurement, and financial and treasury management, which includes centralized accounts payable, credit and collections departments. The professional staff in this office recognizes that its clients are the 29 CSCs around the country, the more than 90 account executives and the 1,600 employees of NetVersant who serve our customers every single day.

### TECHNOLOGY AND STRATEGY

Finally, a new functional organization has been created to drive standards within our various lines of business, ensure delivery of services at every CSC, leverage manufacturer/distributor relationships and deliver training that is superior to industry standards.

Led by John Chelstowski, Executive Vice President – Technology & Strategy, this group is focused on areas key to providing quality service to customers. This includes engineering, estimating, computer assisted design, procurement, and design and development of standardized processes. It also encompasses the identification of technology tools to support project management, scheduling and utilization. This team will be out front in testing and evaluating new technologies in each line of business, and directing the introduction and training of NetVersant's sales force, project managers and technical staff.

### CLOSING COMMENTS

NetVersant continues to lead the industry with four high-demand service platforms and an enviable geographic footprint. As we strive to make our Company an even greater, more productive organization in 2004 and beyond, we welcome your questions, comments and customer referrals.

On behalf of the Board of Directors, I offer our most sincere appreciation to NetVersant's supportive shareholders, loyal customers and dedicated employees. I look forward to reporting future developments and exciting achievements in coming periods.

Respectfully,



Scott L. Fordham  
Chairman & CEO

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