



PROGRESS REPORT
AUGUST 2002

Dear Customers, Employees & Investors:

I am pleased to update you on recent developments and activities underway at NetVersant Solutions.

In our April Progress Report, we discussed a strengthening economic environment for business growth. NetVersant has seen a steady improvement in quarter-over-quarter performance for the past two quarters, following a period in the latter half of 2001 in which customers, pending a more favorable economic outlook, became cautious about projects and expenditures.

As communicated previously, NetVersant's operations evolve around a long-term strategy that encompasses customer diversity, comprehensive and complementary service offerings and a geographic footprint that makes us a natural fit for multiple location customers. This strategy will enable NetVersant to deliver a more stable, diversified revenue stream in a range of economic climates.

NETVERSANT NATIONAL

One of the cornerstones of NetVersant's formation in February 2000 was our founders' vision of a national entity to competently and cost efficiently service multiple location customers. This vision has driven our business activities since inception... and in 2002 we have achieved the size, experience and expertise necessary to sustain it.

Our Company's backlog of national business has moved from potential to reality. In 2001, our national account business consisted of targeted customer opportunities, whereas today we have a lengthy customer list and a substantial business backlog from these multi-location organizations. The dramatic growth in this business has made it necessary for us to respond organizationally to the unique demands presented by such customers. In June, we took the additional step of forming NetVersant National, our Houston-based national account operations and administration center. It is from this location that NetVersant will redefine for the industry what it means to provide superior cost-effective service to large multi-location organizations.

To our customers, NetVersant National offers increased simplification and efficiency for complex nationwide projects. The benefits include alignment with NetVersant — the industry's premier resource, a single point of contact and a consistent and documented quality assurance process, as well as time and cost efficiencies. For NetVersant, the benefits include the maximized organization and efficiency of our resources, centralized administrative and purchasing functions, controlled deployment, streamlined human capital, quality control, centralized billing and service consistency.

NetVersant National today represents the largest operating subsidiary of NetVersant Solutions. This operating unit is strategically positioned to manage current and expected future growth as we continue to raise the bar in the industry with superior service, a significant geographic footprint, our four core service platforms — network infrastructure, wireless, telephony, electronic security systems — and a winning team of employees.

OPERATIONS UPDATE

Seattle

Continuing our efforts to streamline activities, maximize efficiencies and eliminate redundant costs, we have consolidated our four Washington state operations — NetVersant - Northwest, NetVersant Power Systems, NetVersant Technologies and NetVersant Wireless Solutions — into one Seattle-based operation. Effective this month, these companies began operating as NetVersant - Washington and continue to offer industry-leading solutions to customers with diverse needs in a range of industries.

Geographic Expansion

Translating our successes in Denver, Dallas and Reno, we recently launched NetVersant - Arizona as another important step in our ground-up customer-focused expansion program. Our operations in Arizona give us a needed presence in that state to round out the Company's geographic footprint in the western region. This expansion comes in response to the welcome requests from our customers for a NetVersant service provider nearer their Arizona operations. Additionally, our team is currently evaluating opportunities in Chicago, Florida, the Carolinas and the Midwest. We will update you on any activities in these markets in future Progress Reports.

Business Information System

NetVersant's Oracle initiative is nearing completion, with three locations in our eastern region in the final stages of implementation. While extensive in scope, the Oracle project has remained on schedule and we look forward to its completion at the end of this year. This web-based business information system is a sophisticated, structured real-time management tool that offers consistent operating methodologies and procedures across each NetVersant location. It provides our management team the ability to gather and evaluate a wide range of information key to enhanced operating efficiency and profitability.

Customer Call Center

The NetVersant Customer Call Center was launched during the second quarter of 2002 to serve as a centralized dispatch center for calls received through our toll-free 800 number. This support system focuses on superior service and takes calls 24 hours a day, seven days a week. Our Customer Call Center is an important venue for NetVersant's recurring maintenance- and service-oriented revenue and is consistent with our single point of contact protocol.

COMMUNICATIONS ENDEAVORS

Since NetVersant commenced operations, we have placed a high value on the quality of our communications with investors, customers and employees. We routinely receive positive comments from these user groups regarding the frequency and content of our various communications pieces. From sales brochures and training materials to our web site and Progress Reports, our communications efforts are producing a positive image of NetVersant.

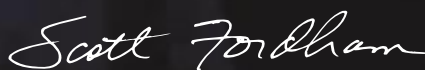
If you have not recently visited NetVersant's web site at www.netversant.com, I invite you to do so and see our enhanced "Service Capabilities" section.

CLOSING COMMENTS

This report has had an underlying national sales theme, and I'd like to close with a reminder of NetVersant's competitive advantage. Our Company is uniquely positioned to pursue customer relationships that are basically unapproachable for most of our competitors. With NetVersant National ramped up, we are better positioned than ever to execute our business plan as cross-selling opportunities abound within our four core service platforms.

NetVersant is realizing the benefits of hard work, dedication and a drive to be the best. Please let us hear from you with comments, questions or suggestions and we welcome any business referrals you deem beneficial in our efforts.

Respectfully,



Scott L. Fordham
Chairman & Chief Executive Officer

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