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PROGRESS REPORT
DECEMBER 2001

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Dear Customers, Employees & Investors:

As 2001 comes to a close, we look back on a year of significant changes. World events impacted our country as never before and the U.S. economy receded for the first time in almost a decade. NetVersant, like companies in many industries, felt the impact of the slowing economy during the latter part of the year. We have responded to what we perceive to be a short-term decrease in demand by tightening our belts. NetVersant has been diligent and thorough in this effort, balancing short-term cost savings with our commitment to provide superior service and respond to future growth opportunities when they arise.

We have reported in the past on the various business and operating initiatives implemented to position NetVersant as the industry leader, such as our national branding efforts, business information systems, national sales and marketing endeavors, standardized business processes and multiple service offerings. In this report, I would like to discuss more specifically the competitive advantages we have created at NetVersant, update you further on our progress in securing key national customer relationships, and introduce one of our core service offerings that we believe will grow significantly in 2002 — electronic security systems (ESS).

OUR COMPETITIVE ADVANTAGE

Undeniably, economic conditions have introduced challenges, but NetVersant is better positioned today to execute its business plan than at any time since our formation. Our geographic coverage, strong brand identification and diverse core service offerings have established NetVersant as the premier solutions provider in the industry — enabling us to pursue customer relationships that are unapproachable for the majority of our competitors. Large multi-location customers increasingly recognize the benefits and efficiency of a single service provider for their many locations. Tremendous cross-selling opportunities exist within NetVersant's customer base as we offer a single point of contact for *all* service needs: network infrastructure, telephony, electronic security systems and wireless solutions.

The industry's key technology manufacturers and distributors have also acknowledged our Company's leadership position. As a result of unique strategic relationships with these industry leaders, we enjoy recognition and status unparalleled in the industry. For example, NetVersant represents a significant channel for Avaya Communication in both the structured cabling *and* telephony markets. These relationships provide NetVersant exclusive access to customer opportunities and represent an important resource as we present creative technology solutions to customers.

While many competitors have been forced to contract, the strength of NetVersant's operating network, our geographic coverage and strategic relationships with technology manufacturers and distributors have our Company poised to exploit growth opportunities we believe exist in 2002.

NATIONAL CUSTOMER RELATIONSHIPS

Since inception, NetVersant's business strategy has been to take advantage of our geographic coverage to provide multi-location services to existing and prospective customers. Because of the long sales cycle involved, successful implementation of this strategy required a significant investment in both time and resources during 2001.

As we enter 2002, I am pleased to report that the hard work and commitment of our national sales team is producing results. NetVersant

has recently entered into national service provider contracts with six Fortune 1000 companies. These companies selected NetVersant as their service provider to realize the benefits of consistent quality, reliable and responsive service and a more streamlined delivery model across multiple locations. Each of these contractual arrangements holds opportunities for incremental revenue growth in 2002 and beyond. In addition, we believe these successes are just the beginning. NetVersant is currently in late-stage negotiations with several other national customer accounts that should be finalized during the first half of 2002.

ELECTRONIC SECURITY SYSTEMS

NetVersant is no newcomer to ESS; we are leveraging off significant experience and market penetration already in place. Demand for ESS services is increasing as both public and private sector customers upgrade outdated systems to provide a secure work environment for their employees, meet their obligation to protect corporate assets and respond to the escalating security concerns of the public.

ESS represents an excellent cross-selling opportunity for NetVersant as the increasing technological sophistication of state-of-the-art security systems force today's IT directors into the key decision-maker role. NetVersant has in place an extensive and highly strategic ESS team prepared to respond to the expected increase in demand during 2002. With technology moving from simple card access to iris scanning and thumbprint imaging, NetVersant will continue to provide customers with superior service and the latest in ESS technology. Additionally, given the likely increase in airport security requirements, our expertise earned providing services for airport authorities in Los Angeles, Seattle, Houston, Atlanta and Philadelphia will be invaluable as NetVersant does its part to improve the safety of the flying public.

LOOKING FORWARD

The primary market drivers for our core solutions are still in place and we remain optimistic about NetVersant's long-term prospects for continued growth and profitability. Advances in technology, the increased burden placed on existing networks, demand by citizens and businesses for a more secure work and travel environment, and the continued growth of the Internet all converge and compel businesses and municipalities to invest in the networks and systems that make their operations more efficient. Importantly, these same systems represent the core low-voltage service offerings provided by NetVersant.

As we close one year and welcome a new one, I join our Board of Directors in thanking each of you for your continued confidence in NetVersant.

Happy New Year and God Bless America.

Respectfully,



Scott L. Fordham
Chairman & CEO

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Watch our website for exciting enhancements, including key information about NetVersant's core business lines.