

March 25, 1999

***Network Solutions fails to disclose government notification.***

On February 26, 1999 the U.S. Department of Commerce's ("DOC") National Telecommunications and Information Administration Agency ("NTIA") formally advised Network Solutions, Inc. (NASDAQ: NSOL) (Price: \$110.00) that the Internet Corporation for Assigned Names and Numbers ("ICANN") had been designated as the not-for-profit entity referred to as "NewCo" in the October 7, 1998 Amendment 11 ("Amendment 11") to the December 31, 1992 Cooperative Agreement between NSOL and the United States. The February 26th NTIA letter also advised NSOL that the U.S. Government had recognized ICANN in accordance with the provisions of the DOC's June 5, 1998 Statement of Policy ("White Paper") that concern the termination of NSOL's current Domain Name System ("DNS") registry and registrar contract. The White Paper states that the U.S. Government expects NSOL to recognize ICANN's role to establish and implement DNS policy and to establish terms applicable to new and existing gTLD registries under which registries, registrars and gTLDs are permitted to operate. As a result of these White Paper mandates, Amendment 11 included terms that oblige NSOL to recognize and acknowledge ICANN's authority in accordance with the provisions of the White Paper. In Amendment 11 NSOL also acknowledged ICANN's authority under a Memorandum of Understanding between the DOC and ICANN ("MOU"). The MOU establishes a plan to test ICANN's DNS system, which is scheduled to commence on April 26, 1999 and end by June 25, 1999 ("test bed").

ICANN is the sole DNS authority with a registrar licensing program, and an approved DNS accreditation policy statement, application and agreement. ICANN's policies and agreement include registrar eligibility requirements, contemplate U.S. and World Intellectual Property Organization intellectual property issues, and domain name dispute resolution. Importantly, ICANN requires registrars to disclaim all rights to ownership or exclusive use of certain DNS data elements and to escrow DNS data. This is particularly important to Internet users and domain name holders who have no such protection under the current system. If NSOL desires to continue to be the domain name registry or registrar it will be required to enter into an accreditation agreement with ICANN. Regardless, according to ICANN's registrar accreditation plan, the entire Internet Who-Is database will be safely escrowed and free from any claims by the registry or registrar within no more than 24 months after the testbed is concluded. According to ICANN's established policies, ICANN has the right to terminate the accreditation agreement of any DNS participant who fails to abide by its policies.

Under the current system NSOL is operating the DNS under an exclusive U. S. Government contract. The above U. S. Government actions are necessary to terminate NSOL's authority to act as the exclusive registry and registrar for .com, .org, .net and .edu domain names. The White Paper established September 30, 2000 as the "outside" date for the termination of NSOL's authority. Amendment 11 extended the Cooperative Agreement's termination date only through September 30, 2000. However, the extension is subject to a "ramp down" provision whereby the DOC has the right to terminate all or parts of the agreement as DNS authority is transited to ICANN.

The White Paper states that the U.S. Government expects NSOL to take numerous specific actions to facilitate the transfer of DNS authority from the DOC to ICANN. These actions include providing a shared registry and making available on an ongoing basis appropriate databases, software, documentation thereof, technical expertise and other intellectual property for DNS management and shared registration of domain names. NSOL's failure to comply with

any of these requirements would directly violate the U.S. Government's White Paper mandates and the terms of Amendment 11. NSOL must establish a test bed supporting registrations by 5 ICANN accredited participants by March 31, 1999, which may be extended subject to DOC approval to April 25, 1999, the day before the ICANN test bed is scheduled to commence, and to allow full and open access to all ICANN licensed and accredited registration services by June 1, 1999, which, as with the test bed date, may be extended 25 days subject to DOC approval.

ICANN has developed oversight mechanisms and procedures to safeguard the DNS registry, registrars and registrants that do not exist in the current DOC system. All of the functions being performed by NSOL, including the current registration system's registry database, can readily be transferred from NSOL to ICANN's accredited registrars or a substitute registry administrator without delay or unreasonable technological or operating risks. The U.S. Government has mandated that NSOL's exclusive contract be terminated. There is no reasonable basis to expect that NSOL's DNS contract will not completely be terminated on or before its scheduled termination date. Once the unnecessary Cooperative Agreement is terminated, NSOL will simply be one of hundreds of companies with identical registration services capabilities operating in a low price per unit, low-barrier to entry, highly competitive, small (approximately \$100 million at \$35 per name per year in 1998) dollar value market.

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks. Additional information is available upon request.