

March 25, 1999

*NSOL possesses no lock on domain registry or registrar businesses.*

Investors may be buying Network Solutions, Inc.'s (NASDAQ Symbol: NSOL) (Price: \$110.00) stock believing the company possesses some market advantage, recurring income or proprietary technology that has allowed it to create, and will allow it to grow, its Internet domain name registry and registrar business. We found no reasonable basis for these beliefs. NSOL's domain name business has been and remains totally reliant on a 7-year-old U.S. federal government contract, which is expiring and will not be renewed. We believe that NSOL's management has purposely disseminated misleading information, and failed to disclose material negative information, that has led investors to believe that the expiration of this contract will be postponed or that it can not be entirely and easily terminated. Investors have also been led to believe that even if the contract is terminated, NSOL's business value will continue to grow. These expectations are baseless and false. NSOL's expiring contract precluded any other company anywhere in the world from registering .com domain names. The termination of NSOL's contract will eliminate all barriers to entry in the domain name business. As a result, regardless of the performance of the Internet stocks we believe that NSOL's current \$110 stock price, which places it among the elite top ten most valued Internet companies, is grossly overvalued.

Investors may also believe that NSOL will retain the registry business indefinitely and that it will be valuable. The registry must be operated on a cost plus basis. We estimate the total cost to operate the registry at less than \$3 per name per year. We believe that the registry price will ultimately be transferred to an ICANN accredited cooperative. In any case, we do not believe that the temporary, testbed registry price will remotely approach NSOL's \$16 target. As a result, NSOL will quickly become one of hundreds of registration services operating in a small dollar value, low margin, no-value-added business. We see little or no uncertainty as to any of these outcomes. NSOL is trading at a large premium to legitimate Internet stocks, which unlike NSOL have promising not diminishing futures. Because of NSOL's rapidly deteriorating fundamentals, non-Internet owner-management and its monopolistic image in the Internet community worldwide, we believe NSOL will trade lower regardless of the performance of other Internet stocks. Even assuming a strong Internet equity market, we believe that NSOL will trade below \$40 per share after the testbed is concluded and well below \$20 per share after the contract is terminated. These price targets assume that Internet stocks will continue to be valued at current or higher relative levels.

NSOL has a serious dilemma. NSOL must persuade investors that it can continue to control the domain name market and generate sufficient growth to justify its market capitalization. Meanwhile, NSOL must comply with its agreement with the U.S. Department of Commerce that requires NSOL to relinquish its control over the domain name market and to temporarily operate a cooperative registry on a low margin, cost plus a reasonable return basis. NSOL's situation creates an even greater conflict for its analysts. To defend NSOL's valuation, NSOL's analysts must make the incongruent pair of claims that the domain name market will continue to have wide margins and rapid growth, but that it is unattractive to other competitors. These are the preposterous and weak assumptions that underpin NSOL's analyst recommendations.

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.