

Company Overview

Exodus

Exodus provides both co-location, Internet connectivity and fully managed hosting services. Its solutions include IDCs, network services, and managed services, which together provide the high-performance, scalability, and expertise that enterprises need to optimize their Web operations. Exodus manages Internet Web sites and its network infrastructure from 13 IDCs in the San Francisco, Los Angeles, New York, Boston, Washington, D.C., Seattle, London, and Chicago metropolitan areas.

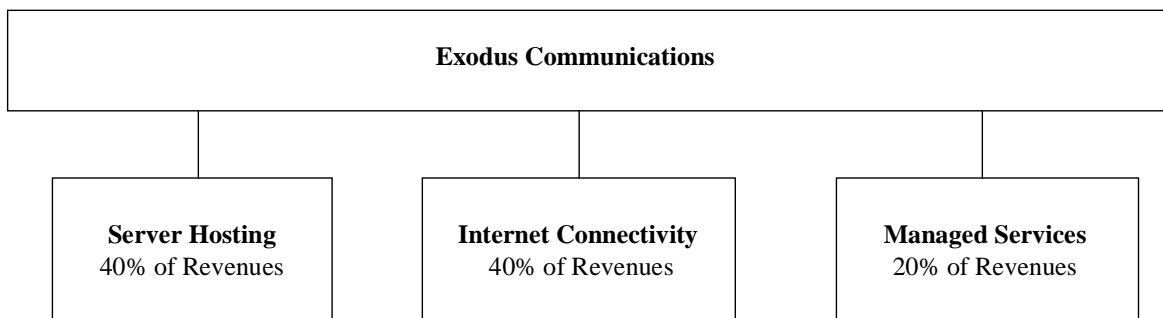
The company provides Web hosting services to more than 1,329 customers with approximately 45% large enterprises and 55% Internet-centric companies. Exodus' operational facilities stood at 700,000 gross square feet of capacity at the end of the second quarter of 1999, and are expected to increase to 1,500,000 gross square feet by the end of the year.

Figure 1 shows Exodus' main lines of business. Server hosting and Internet connectivity (or access) have contributed the bulk of revenues to date. However, managed services are rapidly increasing in importance, and, through the Cohesive acquisition, should reach one-third of total sales by the end of 2000.

We expect Exodus to continue to play a leading role in the U.S. hosting market. In addition, the company should be able to augment revenue growth with new sales opportunities in Europe and Asia. The company's recently opened IDC in London is 56,000 square feet, giving the company the capacity to enter Europe in earnest. Exodus has 45 people in Europe today, with sales office in London, Germany, France, and The Netherlands.

Figure 1

Exodus: Organizational Structure



Source = Company Documents

The Exodus Network

Exodus

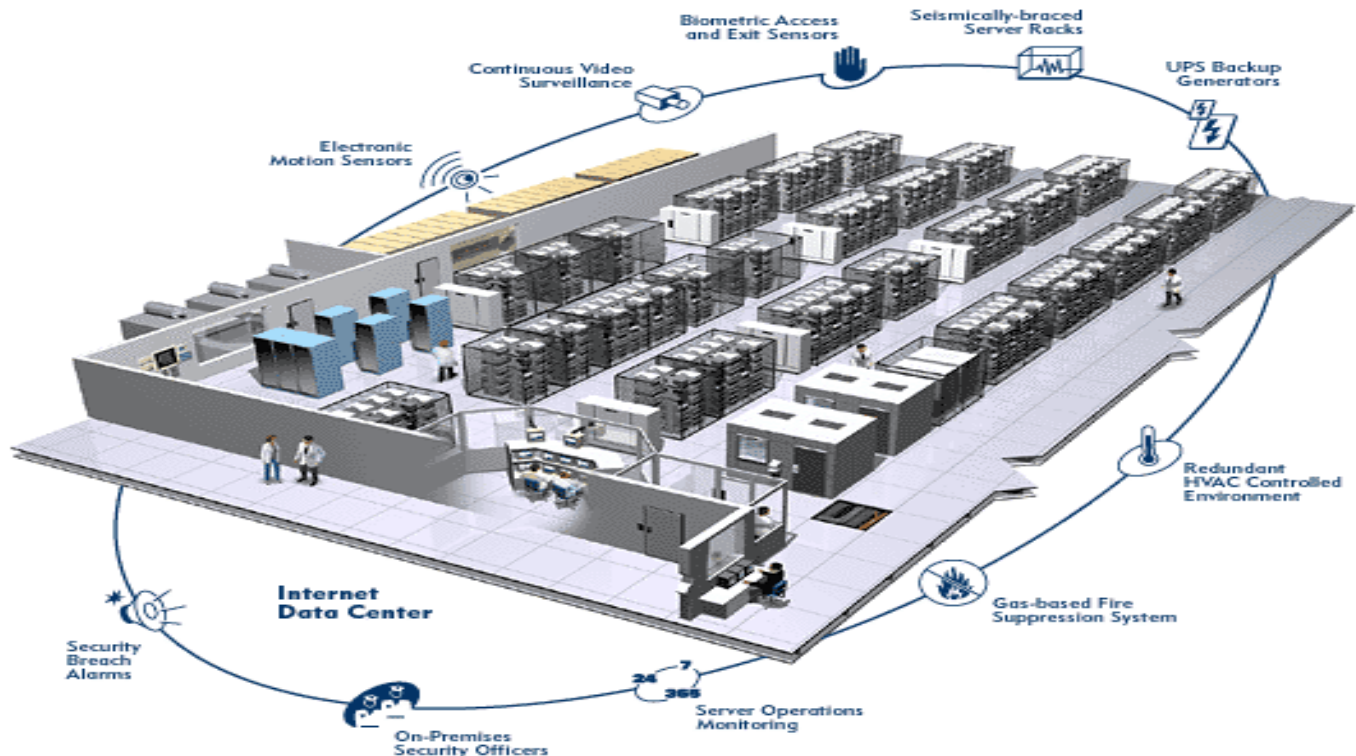
Internet Data Centers

Exodus' Internet data centers (IDCs) provide customers with a secure, reliable facility in which they can house servers and other equipment necessary to support mission-critical Internet operations. The company currently has 13 IDCs up and running, with a total floor area of 700,000 gross square feet. Each IDC is custom-designed with raised floors, HVAC temperature control systems, redundant power systems, routers, Internet switches and seismically braced racks. Physical security includes smoke-detection and fire-suppression systems, motion sensors, and 24 x 7 secured access, as well as video camera surveillance and security breach alarms.

From these centers Exodus offers co-location and managed hosting services. Managed services have become increasingly important to the company in the last year, and currently account for close to 20% of total revenues. To remain competitive, the company believes that it must be able to offer a combination of state-of-the-art data centers, high-speed access to the Internet and managed Internet services. To this end, it plans to continue to build IDCs in the world's main business and high-tech hubs. Exodus believes that geographic proximity to the customer is a key competitive advantage, since most Web-centric companies want to be close to where they have housed their mission-critical Internet systems. By the end of 1999, we estimate that Exodus will have 19 IDCs and 3 co-location facilities, and that this figure will increase to 30-32 by the end of 2000.

Figure 2

Exodus: Internet Data Center



Source = Company Documents

The Backbone and Access Network

In addition to secure, reliable, state-of-the-art data centers, Exodus believes that high-speed Internet access from these data centers is critical if the company is to remain competitive in the market.

In the second quarter of 1999, Exodus generated traffic equivalent to 4,200 Mbps, making it the fourth-largest generator of Internet traffic behind only AOL, UUNet, and Sprint. To support this traffic, the company has an extensive backbone network consisting of OC-3 (155Mbps) and OC-12 (622 Mbps) connections (Figure 3). The company also has an indefeasible right of usage (IRU) to an OC-3 connection between the U.S. and the United Kingdom.

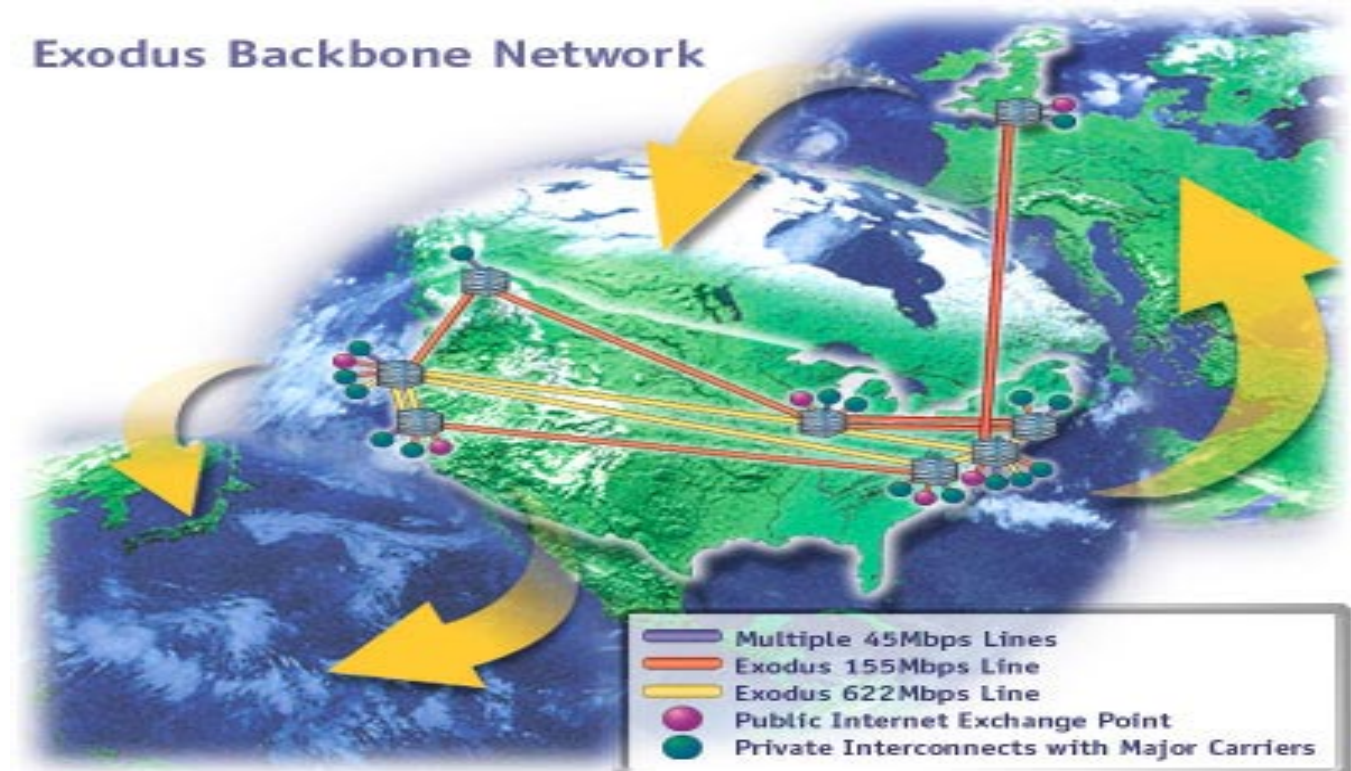
Exodus has established 154 public and 48 private peering arrangements giving it clear access into the Internet. As of the second quarter, a full 78% of the companies traffic

traveled through private peering points. This gives Exodus one of the most robust backbone networks on to the Internet, and allows its customers to connect at the fastest possible speeds, as well as to scale their businesses without concern for access bottlenecks. While many companies initially need to connect their Web sites to the Internet at only T-1 speeds, often these companies find that their requirements increase significantly with their presence on the Web. Exodus can offer customers up to gigabyte connections directly into the Internet.

To complement its IDC and backbone infrastructure, Exodus is investing considerably in human resources to offer a variety of managed services. This, the third leg of the company's competitive strategy, includes hiring security and service technicians to help companies outsource all of their hosting needs as well as designing new performance measurement and enhancement products.

Figure 3

Exodus: Backbone Network



Source: Company Documents

Business Strategy

As noted earlier, Exodus is the leader in the co-location hosting market. The company offers Internet access, managed and co-location hosting services. The company believes that it can establish a defensible competitive advantage in the market by being first to market with these services with a state-of-the-art network of IDCs supported by robust backbone architecture.

While this strategy seems straightforward, we believe that it will allow the company to establish barriers to entry into the market. In addition to the broad strategic initiatives outlined above, Exodus has identified the following five primary goals:

- **Establish Market Leadership and Brand Awareness:** Exodus intends to enhance significantly its profile within the hosting industry. The company will launch its first major marketing program this quarter, running until year-end, aimed at enhancing its brand awareness. This should be particularly important in securing a strong position in the enterprise market, where Exodus's name may be less well recognized than it is in the general Internet community.
- **Enhance Managed Service Offering:** Exodus believes that a strong managed service offering will enable it to attract a broader array of customers. Firms hoping to outsource their hosting requirements will be able to do so through Exodus' managed services. This should lead to high revenue per user as well as more customer loyalty. To enhance its managed service offering, the company has added significantly to its technical capability. The company

has made several acquisitions over the past year (Table 2) to this end.

- **Accelerate Network Expansion:** The company is accelerating its network expansion, both domestically and internationally, in an attempt to establish a full presence in each of the primary Internet centers around the world. The company added five IDCs in the second quarter alone, bringing its total to 13, and we estimate it will add an additional six in the second half. Furthermore, Exodus will add 3 sites in Europe and Asia, allowing it to meet the growing demand for complex Web hosting facilities internationally.
- **Leverage Technological Know-How:** Exodus spends 3-4% of its total revenues on product development in an attempt to add value to its existing client base and to address new market opportunities. This has led the company to offer enhanced Web hosting products, as well as services to support software application hosting and e-commerce offerings. This financial and human resource commitment make it difficult for other companies to compete with Exodus.
- **Establish Strategic Relationships:** Exodus has used partnerships and strategic relationships to complement its core areas of expertise. Recently, the company teamed up with Inktomi to deploy the company's Traffic ServerTM network caching technology across Exodus' network of IDCs, moving frequently accessed data closer to end-users and improving response times for page requests. The company's Partnering for Success program includes resellers, solutions integrators, technology partners, and alliance partners.

Table 2

Exodus Acquisitions

Company	Date	Services	Price Paid
Arca	October 1998	advanced network and system security solutions	\$6 million
American Information Systems	February 1999	co-location and professional services	\$21 million
Cohesive Technology Solutions	Est. July 30, 1999	technology professional services	\$100 million

Source = Company Documents

Balance Sheet and Cash Flow

Exodus

In our view, Exodus has adequate financial flexibility to expand the business through the construction of global IDC facilities and through strategic acquisitions. We estimate Exodus has over \$300 million in cash on its balance sheet. Our cash flow forecast includes the pending acquisition of Cohesive Technologies for approximately \$100 million (\$50 million in cash, \$50 million in EXDS shares).

In March 1999, the company raised approximately \$250 million through the sale of 5% convertible seven-year subordinated notes. Each \$1,000 of notes is convertible into 21.8926 shares of EXDS (approximately \$46 per EXDS share at the time of the offering). In June 1999, the company completed a \$75 million add-on to its original 11.25%, 10-year senior note offering.

We forecast Exodus will reach cash-flow (EBITDA) break-even during 4Q99 and post positive EBITDA for 1Q00. Our EBITDA forecast for 2000 is \$68 million.

We look for capital expenditures (including capital leases) of \$250 million in 1999 and 2000. Included in our capital expenditure forecast is the construction of 10 IDCs in 1999 and eight IDCs in 2000. In addition, we look for the company to expand the capacity of several operational IDCs.

We estimate depreciation expenses of \$27 million in 1999 and \$55.6 million in 2000. We depreciate gross plant over a six-year life on average.

The Management Team

Exodus

K.B. Chandrasekhar has served as Chairman of the Board of Directors of the company since its incorporation in California in February 1995, as President from such incorporation until March 1998, and as CEO from incorporation until September 1998. From 1992 to May 1995, he served as President and a director of Fouress, Inc., a network software design and development firm and the company's predecessor, which he co-founded. Mr. Chandrasekhar holds a B.Sc. in physics from Madras University and a BTech in electronics and communications from the Madras Institute of Technology.

Ellen M. Hancock has served as President of the company since March 1998 and CEO since September 1998 and has been a director since April 1998. From July 1996 to July 1997, she served as Executive Vice President for Research and Development and Chief Technology Officer of Apple Computer, Inc. From September 1995 to May 1996, Mrs. Hancock served as an Executive Vice President and Chief Operating Officer of National Semiconductor Corporation. From 1966 to February 1995, she served in various staff, managerial, and executive positions at IBM, most recently as Senior Vice President and Group Executive. Mrs. Han-

cock is also a director of Colgate-Palmolive and Aetna. She holds a BA in mathematics from The College of New Rochelle and an MA in mathematics from Fordham University.

Richard S. Stoltz has served as Chief Operating Officer and CFO of the company since October 1995 and was a director of the company from January 1996 to October 1996. From February 1994 to September 1995, he was an independent consultant specializing in financial and management information system issues. From 1992 to January 1994, Mr. Stoltz served as Vice President of Finance, Treasurer, and CFO of Radius Inc., a computer hardware company. Mr. Stoltz holds a B.Sc./BA degree in marketing and an MBA from The American University.

Sam S. Mohamad has served as Vice President, Worldwide Sales of the company since February 1997. From March 1996 to January 1997, he served as Vice President of Sales and Marketing of Genuity, Inc., a provider of data center products and services. From 1987 to February 1996, Mr. Mohamad held various positions at Oracle, most recently as Vice President of Direct Sales and Marketing.

Financial Summary

Exodus

Table 3

Exodus: Balance Sheet 1999-2000E

(All figures in \$ thousands)

	1999 Quarterly Estimates				2000 Quarterly Estimates				Full Year Estimates			
	1Q99A	2Q99E	3Q99E	4Q99E	1Q00E	2Q00E	3Q00E	4Q00E	1998	1999E	2000E	2001E
Current Assets	346,646	326,316	204,781	117,487	100,950	108,816	117,166	126,137	166,742	117,487	126,137	239,275
Cash & Equivalents	323,642	302,842	170,142	73,902	50,000	50,000	50,000	50,000	150,891	73,902	50,000	101,134
Short-term Securities	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Cash	0	0	0	0	0	0	0	0	0	0	0	0
Acct Rec.	16,277	13,972	20,618	25,942	30,326	35,008	39,978	45,317	11,174	25,942	45,317	85,600
Goodwill and other Intangibles	0	0	0	0	0	0	0	0	0	0	0	0
Other current assets	6,727	9,502	14,022	17,643	20,624	23,808	27,188	30,819	4,677	17,643	30,819	52,541
Net Fixed Assets	124,776	188,767	338,375	402,081	411,787	420,282	501,692	579,764	73,181	402,081	579,764	563,109
Net Tangible Fixed Assets	101,793	166,377	218,959	286,829	300,698	313,358	398,931	481,168	68,306	286,829	481,168	481,168
Net Intangible Fixed Assets	22,983	22,390	119,417	115,253	111,089	106,925	102,761	98,597	4,875	115,253	98,597	81,941
Restricted Cash Net of Current	36,292	36,292	36,292	36,292	36,292	36,292	36,292	36,292	45,614	36,292	36,292	36,292
Other Assets	18,579	26,243	38,724	48,725	56,958	65,752	75,087	85,116	7,749	48,725	85,116	145,108
Total Assets	526,292	577,617	618,173	604,586	605,987	631,143	730,238	827,308	293,286	604,586	827,308	983,784
Current Liabilities	51,830	49,056	66,322	80,156	91,546	103,711	116,624	130,496	47,049	80,156	130,496	213,485
S-T Debt	6,804	6,804	6,804	6,804	6,804	6,804	6,804	6,804	14,367	6,804	6,804	6,804
S-T Portion of Capital Lease Obl.	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,950	5,140	5,950	5,950	5,950
Acct Payable	24,504	15,719	23,195	29,185	34,117	39,384	44,975	50,982	9,208	29,185	50,982	86,916
Deferred revenue	0	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	14,572	20,583	30,373	38,217	44,675	51,573	58,895	66,760	18,334	38,217	66,760	113,815
Fixed Liabilities	474,975	549,975	549,975	549,975	560,547	588,663	687,054	780,874	227,096	549,975	780,874	780,874
L-T Debt	462,864	537,864	537,864	537,864	548,436	576,552	674,943	768,763	215,695	537,864	768,763	768,763
L-T Portion of Capital Lease Obl.	12,111	12,111	12,111	12,111	12,111	12,111	12,111	12,111	11,401	12,111	12,111	12,111
Other L-T liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	526,805	599,031	616,297	630,131	652,093	692,374	803,678	911,370	274,145	630,131	911,370	994,360
Minority Interests	0	0	0	0	0	0	0	0	0	0	0	0
Common Stock	119,561	119,561	169,561	169,561	169,561	169,561	169,561	169,561	117,240	169,561	169,561	169,561
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Compensation	-891	-891	-891	-891	-891	-891	-891	-891	-1,080	-891	-891	-891
Retained Earnings	-119,183	-140,084	-166,795	-194,216	-214,776	-229,901	-242,110	-252,732	-97,019	-194,216	-252,732	-179,245
Total Shareholders Equity	-513	-21,414	1,875	-25,546	-46,106	-61,231	-73,440	-84,062	19,141	-25,546	-84,062	-10,575
Liabilities and Shareholders Eqty	526,292	577,617	618,173	604,586	605,987	631,143	730,238	827,308	293,286	604,586	827,308	983,784

Source: Company Data, Morgan Stanley Dean Witter Estimates. E = Estimate

Financial Summary

Exodus

Table 4

Exodus: Cash flow and Credit Analysis 1999-2000E

(All figures in \$ thousands)

	1999 Quarterly Estimates				2000 Quarterly Estimates				Full Year Estimates			
	1Q99A	2Q99E	3Q99E	4Q99E	1Q00E	2Q00E	3Q00E	4Q00E	1998	1999E	2000E	2001E
Exodus Cashflow Statement												
Net Profit	-22,164	-20,901	-26,711	-27,421	-20,561	-15,125	-12,209	-10,622	-21,385	-97,197	-58,516	73,487
plus Depreciation & Amortization	5,808	7,284	10,841	13,266	15,845	17,054	19,140	22,478	5,125	37,200	74,517	127,556
less increase in Acct Rec.	-5,103	2,305	-6,646	-5,325	-4,384	-4,682	-4,970	-5,339	-11,174	-14,768	-19,375	-40,282
less increase in other current assets	-2,050	-2,775	-4,519	-3,621	-2,981	-3,184	-3,380	-3,631	-4,677	-12,966	-13,176	-21,722
plus increase in Deferred Rev.	0	0	0	0	0	0	0	0	0	0	0	0
plus increase in Acct Payable	15,296	-8,785	7,476	5,990	4,932	5,267	5,591	6,007	9,208	19,977	21,797	35,934
less increase in Restricted Cash / ST Secs	9,322	0	0	0	0	0	0	0	-45,614	9,322	0	0
plus increase in other current liabilities	-3,762	6,011	9,790	7,844	6,458	6,898	7,322	7,866	18,334	19,883	28,543	47,055
plus increase in other L-T liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Net Cashflow from Operations	-2,653	-16,861	-9,768	-9,266	-692	6,228	11,494	16,758	-50,183	-38,549	33,789	222,027
Chg. Tang. Fixed Assets (before depr)	38,428	71,000	60,000	76,423	25,000	25,000	100,000	100,000	72,610	245,850	250,000	108,700
Chg. Int Fixed Assets (before depr)	14,452	275	100,450	550	550	550	550	550	1,493	120,250	2,200	2,200
Change in other assets	10,830	7,664	12,482	10,001	8,233	8,794	9,335	10,028	7,749	40,976	36,391	59,993
Net Cash Used in Investing	63,709	78,939	172,932	86,973	33,783	34,344	109,885	110,578	81,852	407,076	288,591	170,893
Cash Surplus/Deficit before Financing	-66,362	-95,800	-182,700	-96,240	-34,475	-28,116	-98,391	-93,820	-132,035	-445,625	-254,802	51,134
Increase in S-T Debt	-7,563	0	0	0	0	0	0	0	14,367	-7,563	0	0
Increase in S-T Portion of Cap Lease	810	0	0	0	0	0	0	0	5,140	810	0	0
Increase in L-T Debt	247,169	75,000	0	0	10,572	28,116	98,391	93,820	215,695	322,169	230,899	0
Increase in L-T Portion of Cap Lease	710	0	0	0	0	0	0	0	11,401	710	0	0
Increase in equity/pfd	2,510	0	50,000	0	0	0	0	0	40,526	52,510	0	0
Increase in Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow from Financing	243,636	75,000	50,000	0	10,572	28,116	98,391	93,820	287,129	368,636	230,899	0
Change in Cash Balance	177,274	-20,800	-132,700	-96,240	-23,902	0	0	0	155,094	-76,989	-23,902	51,134
Exodus Credit Analysis												
Cash & Equivalents	323,642	302,842	170,142	73,902	50,000	50,000	50,000	50,000	150,891	73,902	50,000	101,134
Total Debt (incl Capital Leases)	487,729	562,729	562,729	562,729	573,301	601,417	699,808	793,628	246,603	562,729	793,628	793,628
Net Debt (Cash)	164,087	259,887	392,587	488,827	523,301	551,417	649,808	743,628	95,712	488,827	743,628	692,494
Shareholders' Equity	-513	-21,414	1,875	-25,546	-46,106	-61,231	-73,440	-84,062	19,141	-25,546	-84,062	-10,575
Acct Rec. (Days)	49.4	40.0	40.0	40.0	40.0	40.0	40.0	40.0	19.3	40.0	40.0	40.0
Interest Coverage (x)	(2.0)	(1.4)	(1.5)	(1.4)	(0.8)	(0.3)	0.1	0.3	(3.4)	(1.5)	(0.1)	2.0
Current Ratio	6.7	6.7	3.1	1.5	1.1	1.0	1.0	1.0	3.5	1.5	1.0	1.1
Working Capital	-22,022	-18,778	-24,879	-29,768	-33,792	-38,091	-42,654	-47,556	-16,831	-29,768	-47,556	-68,540
Debt/(Equity+Debt) (%)	100%	104%	100%	105%	109%	111%	112%	112%	93%	105%	112%	101%
Net Debt/(Equity+Debt-Cash) (%)	100%	109%	100%	106%	110%	112%	113%	113%	83%	106%	113%	102%
Total Debt/EBITDA	(45.1)	(78.5)	(81.2)	(148.7)	88.5	43.8	34.6	28.9	(5.9)	(19.6)	11.7	3.0

Source: Company Data, Morgan Stanley Dean Witter Estimates. E = Estimate.

MindSpring Enterprises (MSPG)

Internet Data Services

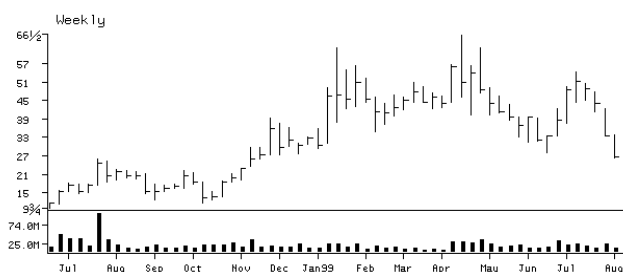
52-Wk Price	Rng	Div	Yld	Shs Out	EPS 98A	EPS 99E	P/E	EPS 00E	P/E	EPS+A 98A	EPS+A 99E	P/CE	EPS+A 00E	P/CE	5-Yr Est Growth
33 1/2	66 1/2-11 9/16	NM	NM	67.6	\$0.20	\$(0.75)	NM	\$(0.63)	NM	\$0.28	\$0.05	670.0	\$0.20	159.5	31.0%

Target Price: NA

Market Cap: \$2,265

Price as of July 30, 1999

MindSpring Enterprises Stock Price Analysis



Morgan Stanley Dean Witter Analyst:

Jeffrey Camp

Stephen Flynn

Morgan Stanley Dean Witter Stock Rating: Neutral

Company Description

MindSpring is a leading national Internet service provider with approximately 1,228,000 individual and small business customers. MindSpring's primary service offerings are dial-up Internet access and business services, including various price and usage plans designed to meet the needs of subscribers. The company's business services include Web hosting, dedicated Internet access, Web page design, domain name registration, and customer Web server co-location.

Key Points

- We are initiating coverage of MindSpring with a Neutral rating. The company is currently trading at a 2000 EV/Revenue multiple of 3.9x.
- A full analysis of the company's valuation, as well as the markets in which it is participating, can be found in the earlier sections of this report.
- We expect revenues at MindSpring to grow in 1999 and 2000 by 188% and 60%, respectively. From 1999 to 2004 we expect revenues to expand by 31% annually. EPS are likely to remain negative until 2002, when we estimate earnings will hit \$0.57 per share.
- MindSpring is one the country's five largest consumer ISPs, with 1.17 million dial-up access subscribers. In addition,

MindSpring provides Web hosting services to 55,000 customers. Users and industry watchers regard the company as one of the best in the market, both in terms of customer and network service.

- While MindSpring is well positioned in the consumer ISP market, it faces several challenges in the coming years if it is to continue to prosper. In particular, the company will need to integrate NetCom assets acquired from ICG, develop a significant foothold in the broadband market, and articulate a meaningful strategy for value-added services.
- MindSpring's balance sheet is solid, and we believe the company is in a strong position financially to enter new markets as well as bolster its standing in its existing one. We believe that the company's balance sheet will prove to be a valuable asset in the coming years.

Investment Positives and Concerns

MindSpring

Investment Positives

Large and Growing Consumer ISP Market: MindSpring operates primarily in the high-growth consumer Internet access market, revenues of which we expect to increase to \$16 billion in 2003 from \$5.5 billion in 1998 — a 24% compound annual growth rate. Our forecast includes an increase in the penetration of online households to 48% in 2003 from 24% in 1998 and a proliferation in broadband services. We expect MindSpring's market share to increase from 4% today to 8% by 2003.

Strong Brand Image: MindSpring has a strong brand image as well as a reputation for high-quality service. The company regularly places at, or near, the top of independent surveys of consumer Internet access companies for quality of services, customer satisfaction, and network design. This gives the company an advantage in capturing and retaining customers.

Excellent Balance Sheet: MindSpring has a strong balance sheet. This bodes well for the company as it competes for market share and position in the highly competitive consumer Internet access market. The company's financial standing gives it flexibility to either build or buy network assets in the future, and should give investors comfort that the company has the fortitude to weather a financial storm were the capital markets to enter a downturn.

Increasing Economies of Scale: MindSpring is one of the top five consumer ISPs in the U.S. as measured by number of subscribers. The company has crossed the critical 1.0 million subscriber mark, a point beyond which ISPs are able to attract national advertising dollars. In addition, the company's scale gives it advantages in negotiating network leasing and equipment contracts, helping the company to achieve lower costs relative to its competition.

Investment Concerns

Volatile Pricing Structure: The consumer Internet access market is home to close to 5,000 competing firms. The market does not appear to have a price leader, and has been subject to pricing pressure in the past. As such, MindSpring is for the most part unable to influence pricing in the industry, and may be forced to lower prices at any time in response to competitive threats. We expect dial-up Internet access prices to fall to \$15 per month from \$19.95 today over the longer term. The emergence of "free ISP" services may force prices down more quickly than we are currently expecting.

New Broadband Services Competitors: While broadband services present an opportunity for MindSpring in the form of new potential customers and revenue, they also represent new challenges. MindSpring is not able to offer cable modem services in earnest because of the closed-network policy of that industry's main protagonists. We expect cable modems to take 15% of the total consumer Internet access market by 2003, 50% of all broadband connections. In addition, for MindSpring's only broadband service option, xDSL, the company is reliant on other network providers for lines.

Value-Added Service Strategy Is Still Unclear: We believe that to offset declining dial-up revenues per subscriber, MindSpring will need to develop a meaningful strategy to capture value-added revenues from its customers. To date, the company has not implemented any material plans to capitalize on this opportunity, despite significant efforts by EarthLink and AOL in this area.

Reciprocal Compensation Impact Possible: While still unclear, the impact on MindSpring's network costs from the elimination of reciprocal compensation payments to the CLEC industry may be negative. Since network costs are MindSpring's largest cost component, this could have a meaningful effect on future profits.

Earnings Summary

MindSpring

Table 1

MindSpring: Income Statement Forecasts

(All figures in thousands, except per share data)

Income Statement	1999 Quarterly Estimates				2000 Quarterly Estimates				Full Year Estimates			
	1Q99A	2Q99A	3Q99E	4Q99E	1Q00E	2Q00E	3Q00E	4Q00E	1998A	1999E	2000E	2001E
Revenues												
Dial-up Access	52,424	71,620	74,147	78,163	89,860	103,632	118,316	131,498	95,852	276,354	443,307	605,809
Business Services	9,204	14,044	14,690	15,803	17,359	19,464	22,159	25,482	14,735	53,742	84,464	93,806
Subscriber Start-up Fees	-	-	-	-	-	-	-	-	4,006	-	-	-
Total Revenues	61,628	85,664	88,837	93,967	107,219	123,097	140,475	156,980	114,593	330,095	527,771	699,616
% Chg QoQ	NM	39%	4%	6%	14%	15%	14%	12%	NM	NM	NM	NM
% Chg YoY	NM	NM	NM	NM	74%	44%	58%	67%	NM	188%	60%	33%
Direct Costs												
Cost of Recurring Revenue	21,398	29,120	30,897	32,364	36,066	38,521	43,418	47,613	31,724	113,779	165,618	219,316
Cost of Other Revenues	-	-	-	-	-	-	-	-	2,612	-	-	-
Total Direct Costs	21,398	29,120	30,897	32,364	36,066	38,521	43,418	47,613	34,336	113,779	165,618	219,316
Gross Margin	65%	66%	65%	66%	66%	69%	69%	70%	70%	66%	69%	69%
Operating Costs												
General and Admin.	19,431	26,460	28,991	31,415	34,876	38,432	41,566	45,207	38,443	106,297	160,081	209,721
Selling	9,771	14,366	21,159	43,650	46,005	30,411	33,821	40,188	18,881	88,946	150,425	180,137
Depr & Cust Base Amort	16,846	28,412	29,020	29,265	30,115	30,965	31,815	32,726	15,227	103,543	125,622	142,147
Total Operating Costs	46,048	69,238	79,170	104,331	110,996	99,809	107,202	118,121	72,551	298,786	436,128	532,005
EBITDA	11,028	15,718	7,790	(13,463)	(9,727)	15,732	21,670	23,972	22,933	21,073	51,647	90,441
% Chg YoY	NM	NM	NM	NM	NM	NM	NM	NM	NM	-8%	145%	75%
% Mrg.	18%	18%	9%	-14%	-9%	13%	15%	15%	20%	6%	10%	13%
Operating Profit	(5,818)	(12,694)	(21,230)	(42,729)	(39,843)	(15,233)	(10,145)	(8,753)	7,706	(82,470)	(73,975)	(51,706)
% Chg YoY	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-30%
% Mrg.	-9%	-15%	-24%	-45%	-37%	-12%	-7%	-6%	7%	-25%	-14%	-7%
Non Operating Income (Expenses)												
Interest Income	1,143	2,863	4,214	4,171	4,077	4,083	4,198	4,344	2,104	12,391	16,702	18,148
Capital Leases and Interest Expen	(839)	(1,680)	(3,043)	(3,043)	(3,043)	(3,043)	(3,043)	(3,043)	(890)	(8,605)	(12,172)	(12,172)
Other Non-Operating Items	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Profits	(5,514)	(11,511)	(20,059)	(41,601)	(38,809)	(14,193)	(8,990)	(7,452)	8,920	(78,684)	(69,444)	(45,729)
less Taxes	2,210	4,430	7,823	16,224	15,135	5,535	3,506	2,906	1,544	30,687	27,083	(17,613)
Effective Tax Rate	-40%	-38%	-39%	-39%	-39%	-39%	-39%	-39%	-17.3%	NM	NM	NM
Net Profits	(3,304)	(7,081)	(12,236)	(25,377)	(23,673)	(8,658)	(5,484)	(4,546)	10,464	(47,997)	(42,361)	(63,343)
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Payout Ratio to Pfd	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Profit Attributable to Common	(3,304)	(7,081)	(12,236)	(25,377)	(23,673)	(8,658)	(5,484)	(4,546)	10,464	(47,997)	(42,361)	(63,343)
Avg. Diluted Shares Outstanding	57,202	65,431	66,856	67,106	67,356	67,606	67,856	68,106	52,201	64,149	67,731	68,746
EPS	(\$0.06)	(\$0.11)	(\$0.18)	(\$0.38)	(\$0.35)	(\$0.13)	(\$0.08)	(\$0.07)	\$0.20	(\$0.75)	(\$0.63)	(\$0.92)
EPS + Amortization	\$0.08	\$0.11	\$0.03	(\$0.17)	(\$0.14)	\$0.08	\$0.13	\$0.14	\$0.28	\$0.05	\$0.20	(\$0.10)
Depreciation Expense	3,523	4,692	5,500	6,245	7,095	7,945	8,795	9,706	8,179	19,960	33,542	50,067

Source = Company Documents

E = Morgan Stanley Dean Witter Research Estimates

Second Quarter Earnings Review

MindSpring

Key Points

- **Net adds slowed significantly:** Organic access subscriber additions dropped significantly to 25,000 from 64,000 in 1Q99 and 52,000 in 2Q98. Total access additions of 63,000 included 38,000 NetCom customers not previously accounted for. MindSpring added 8,000 Web hosting subscribers in the quarter, but 3,000 were NetCom customers also not previously accounted for.
- **Major marketing campaign to start:** MindSpring announced an aggressive marketing program for the next nine months, spending an additional \$45-55 million over previous plans. The company's goal is to reach 2 million access and Web hosting customers by 3Q00.
- **EBITDA under pressure:** As a result of the additional sales and marketing expenses and other costs associated with bringing on large numbers of new subscribers, we expect EBITDA to fall from \$15.7 million in 2Q99 to \$7.8 million in 3Q99 and a loss of \$13.4 million in 4Q99.
- **2Q99 EPS \$(0.11) compared to \$(0.06) in 1Q99:** EPS excluding tax effected amortization costs associated with the NetCom and SpryNet acquisitions was \$0.11 for the quarter. Our EPS estimates are \$(0.75) for 1999 and \$(0.62) for 2000. Our EPS excluding tax effected amortization estimates are \$0.05 for 1999 and \$0.20 for 2000

Details:

Total revenues surged 39% QoQ and 242% YoY to \$85.7 million. The first quarter included approximately six weeks of NetCom operations, adjusting for the NetCom acquisition we estimate proforma revenues increased less than 10% sequentially. We forecast sequential revenues gains will be in the 4-6% range over the next two quarters before accelerating to the 14-15% range for the first three quarters of 2000, as the results of the company's planned marketing campaign take effect.

Consumer access revenues were \$71.6 million for the quarter with the average monthly revenue per access subscriber of almost \$21. Included in this figure was \$900,000 in advertising revenues. MindSpring currently realizes \$0.26 per

access subscriber per month in advertising revenues. By comparison, America Online realizes approximately \$6 per subscriber per month in non-access revenues and EarthLink derives over \$0.60 per subscriber per month.

Business revenues were \$14 million for the quarter and consisted of dedicated access and Web hosting services. MindSpring acquired 3,000 dedicated access customers from NetCom and expects this figure to remain relatively flat over the next several quarters. The company now has over 55,000 Web hosting accounts with average monthly revenue per account of \$47. MindSpring has formed a business services unit to focus on the company's Web hosting products. We forecast an increase in the penetration of Web hosting accounts into MindSpring's base of access customers from 4.7% today to 5.5% by 4Q00.

MindSpring's consumer access business consists of dial-up services and related advertising revenues. The company has announced plans to move into broadband services, but we expect broadband will remain a minor part of MindSpring's operations through 2000. MindSpring has announced DSL partnerships with Covad and BellSouth. In addition, the company has an agreement to provide cable broadband Internet services through KNOLOGY Holding's hybrid fiber-coax system.

Gross margins of 66% were slightly ahead of 2Q99 and are expected to remain flat for the next several quarters as MindSpring significantly expands its network capacity. The company plans to reach 2 million customers by mid-2000, of which 1.8-1.9 million should be dial-up. Currently, 46% of MindSpring customers are served through the company's network facilities with the remaining subscribers served by ICG (32%), UUNet (19%), and other network providers (2%). We look for MindSpring to add more subscribers onto the company's own network to guarantee quality and control. This is in contrast to EarthLink and other ISPs which have moved away from controlling the network and towards the content and e-commerce aspects of the business. These other ISPs are utilizing the facilities of the traditional network providers in addition to the new entrants (i.e. Level 3).

Sales and marketing costs increased to 17% of revenues from 16% in 1Q99 and 15% in 2Q98 despite a drop in organic subscriber growth. MindSpring's cost per gross access subscriber addition was \$69 for the quarter and is expected to rise significantly over the next several quarters. The company announced plans to add an incremental \$45-55 million in sales and marketing expenses over the next nine months to drive subscriber growth. Adding to current sales and marketing costs has been MindSpring 5.4% monthly access subscriber churn rate. The company anticipates a slight increase in churn over the next several quar-

ters as MindSpring's adds a large number of new subscribers followed by a return to a 4-5% churn rate in the second half of 2000. The company believes an improvement in churn should arise from a movement of subscribers onto the company's own network facilities.

EBITDA increased to \$15.7 million from \$11 million in 1Q99 and \$5.1 million in 2Q98. As a percentage of revenues, EBITDA was flat with 1Q99 at 18%. Due to the company's aggressive expansion plans, we forecast significant declines in EBITDA over the next six months with the company producing negative EBITDA for 4Q99 and 1Q00.

Revenue Analysis

MindSpring

Approximately 84% of MindSpring's revenues come from consumer dial-up Internet access services, with 16% from business services such as high-speed Internet access, Web-hosting, and domain name registration services.

We expect dial-up revenues to fall as a percentage of the total as MindSpring promotes its broadband services, and as value-added services become a more important component of the business.

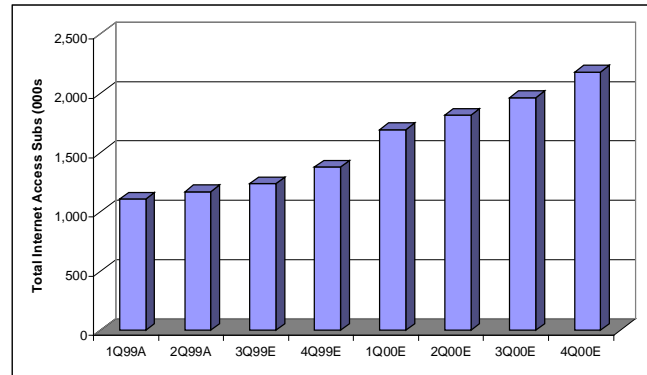
We estimate that MindSpring's dial-up subscriber base will grow from 1.17 million today to 1.38 million by the end of 1999. By the end of 2000, we expect total dial-up subscribers to jump to close to 2.1 million. At that point, dial-up subscribers should account for 96-98% of MindSpring's total Internet access subscriber base, down from 100% at the end of 1999.

As we noted earlier, we expect growth in dial-up access subscribers to slow after 2000 as broadband services become more popular. MindSpring has launched cable modem and xDSL services, but expects xDSL to take the lead in its broadband portfolio since the cable modem infrastructure remains largely closed to resellers. Over the next several years, we expect MindSpring's mix of subscribers to move increasingly toward broadband.

MindSpring remains dependent on third-party vendors for its broadband services, and has made several public announcements voicing its dissatisfaction with the cable industry's closed network policy toward its cable modem infrastructure. We expect broadband subscribers to eventually account for over one-third of total subscribers longer term. However, until the cable modem providers open their infrastructure for resale, MindSpring has stated that xDSL will be its broadband technology of choice. We expect, therefore, xDSL services to account for the vast majority of MindSpring's broadband subscribers going forward.

Figure 2

MindSpring Internet Subscribers 1999-2000E



E = Morgan Stanley Dean Witter Research Estimates

We expect total forecast total revenues will increase to \$330 million in 1999 and \$528 million in 2000 — year-over-year growth rates of 182% and 60%, respectively. Included in our forecast are price declines for dial-up and broadband connectivity. We look for cable modem and DSL prices to converge around \$40 per month over the next year, with prices declining 5% annually thereafter to \$25 per month by 2009. Our forecast for MindSpring's dial-up business includes annual price declines of 2-5% over the next 10 years, with prices reaching \$14 per month by 2009.

With slowing subscriber growth and expected pricing pressure in access services, MindSpring's ability to generate revenues from new sources will be important to the company's future growth prospects. We believe MindSpring has not, however, articulated a coherent strategy for developing valued-added revenues, in contrast to EarthLink. While business service revenues are likely to continue to grow, most of this probably will be due to growth in broadband access services.

Cost Analysis

MindSpring

MindSpring's cost structure is made up predominantly of network costs related to recurring revenue, general and administrative costs, and amortization (Table 3). Operating margins plummeted from 3% in 4Q98 to a negative 15% in 2Q99, due mainly to higher amortization costs, although EBITDA margins have held steady at 18%.

The cost of recurring revenue is MindSpring's largest cost item, and is composed primarily of network-related costs for leased PoP and backbone facilities. On a per subscriber basis, these costs came close to \$8.50 at the end of the second quarter. We expect a slight improvement in recurring revenue cost per subscriber going forward, as the company increases economies of scale and moves more of its subscribers onto its own network. By the end of 2000, we estimate that per subscriber costs of recurring revenue will have fallen to \$7.50.

Amortization, the company's next largest cost item, reached \$23.7 million in the second quarter, jumping from \$13.3 million in the first quarter and from only \$3.5 million in the fourth quarter of 1998. The increase is due to the firm's \$245 million purchase of Netcom in the first quarter 1999. Amortization costs should average \$92 million per year for the next three years due to this. While many analysts subtract amortization to equalize earnings among companies, we believe this should be done with some caution. While it is reasonable to normalize earnings among firms for comparison purposes, the cost of acquiring customers should be properly reflected in MindSpring's cost structure. Since the amortization reflects the cost of adding subscribers, not unlike sales and marketing costs from organic customer additions, ignoring it entirely would be a mistake, in our view.

The majority of assets acquired by MindSpring came in the form of customers. We estimate MindSpring paid in excess of \$325 per dial-up subscriber in the NetCom transaction. In our earlier section on dial-up services, we posited that building rather than buying subscribers was more economically feasible. Since MindSpring can, on its own admission,

acquire subscribers through sales and marketing for a mere \$69, we believe the fact that it chooses to expand the number of subscribers through corporate acquisition for 4-5 times that figure should not be ignored in assessing the company's valuation or financial performance.

General and Administrative costs are composed of expenses related to member support as well as other administrative services, such as billing, financial planning, and human resources. MindSpring maintains approximately one customer service representative (CSR) for every 4,500 subscribers, about average for the industry. We expect some scale economies to develop as MindSpring continues to grow, allowing G&A to continue to fall as a percentage of revenues from 33% at the end of 1998 to 29% at the end of 2000.

Sales and marketing accounts for 15% of total costs, and averaged \$69 per gross access subscriber addition in the second quarter; this is well below the industry average of more than \$100. We look for sales and marketing costs per gross add to approach and surpass the industry average over the next several quarters as the company launches an aggressive marketing campaign to grow the subscriber base. MindSpring's excellent customer service and high-quality network have led to a loyal customer base, as evidenced by the firm's historically low churn rate of less than 4% per month, which has helped to keep sales and marketing costs low. In the most recent two quarters, however, churn has spiked to close to 5.5%, presumably due to the company's recent acquisitions.

Table 3

MindSpring Cost Breakdown 2Q99A

Cost Item	\$000s	% of Total
Cost of Recurring Revenue	29,120	29.6%
General and Admin.	26,460	26.9%
Selling	14,366	14.6%
Depreciation	4,692	4.8%
Amortization	23,720	24.1%
Total	98,358	100.0%

Source: Company Data

Company Overview

MindSpring

MindSpring offers complete Internet access and Web-hosting solutions, emphasizing:

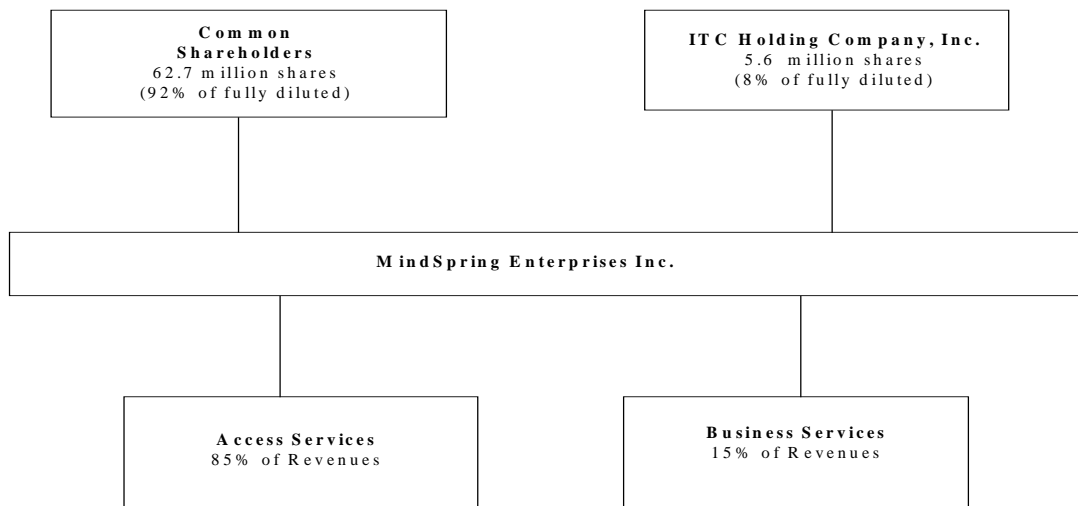
- **user-friendly and easy-to-install software**, containing a complete set of the most popular Internet applications, including electronic mail, World Wide Web access, network news, file transfer protocol, and Internet relay chat;
- **highly responsive customer service and technical support**, which is available 24 hours a day, seven days a week; and

- **a reliable nationwide network** that enables subscribers in the 48 contiguous U.S. states and the District of Columbia to access the Internet via a local telephone call.

MindSpring's subscriber base has grown from approximately 12,000 subscribers at December 31, 1995, to over 1,228,000 subscribers at June 30, 1999, including 55,000 Web-hosting customers. In February 1999, MindSpring completed its acquisition of Netcom, which increased the subscriber base by approximately 435,000 subscribers, including about 25,000 Web-hosting subscribers. As a result, MindSpring is now the fourth-largest ISP in the U.S. in terms of number of subscribers.

Figure 1

MindSpring: Organizational Structure



Source = Company Documents

Network Architecture:

MindSpring employs a “Smart-build” network strategy, building facilities only when it is economically more advantageous than leasing them. At June 30, 1999, 47% of the company’s subscribers accessed the Internet through MindSpring-owned points of presence (PoP). By waiting until a region hits a certain level of scale before building a PoP, MindSpring is able to expend capital only when it can be sure of an adequate return on investment.

Each MindSpring PoP typically consists of data communications equipment such as 3Com Total Control modem chassis, 3Com or Bay Networks switches, and Cisco Systems routers, the majority of which are currently co-located with a local telecommunications or media company. The 3Com modem chassis employed by MindSpring supports both ISDN and analog terminations. MindSpring has upgraded all modem chassis to support the new international 56 Kb modem standard, V.90.

Each MindSpring PoP is connected to MindSpring’s Atlanta Network Data Center. These connections consist of either a private-line point-to-point Internet protocol (IP) connection, or a frame relay connection. In addition, the company utilizes private peering points to more efficiently manage network traffic.

Some of MindSpring’s PoPs are referred to as “super-PoPs.” A super-PoP is one where MindSpring co-locates its equipment with a competitive local exchange carrier (CLEC), which allows MindSpring to aggregate Internet traffic from multiple local calling areas into a single modem pool via local telephone numbers. This enables MindSpring to offer local dial-up access out of a single PoP to regions that would otherwise require co-location sites in each local dial-up area — i.e., multiple PoPs — to accomplish the same task.

MindSpring’s Atlanta Network Data Center is connected to Internet backbone providers such as GTE Internetworking via large leased telecommunications lines (DS-3s). The center is supported by dual SONET rings provided by Bell-South and MediaOne. In addition to dial-up subscribers, most of MindSpring’s Web-hosting and Web-server co-location customers are served from this location.

For subscribers residing outside of regions with MindSpring-owned PoPs, the company has entered network service agreements with PSINet, Worldcom Advanced Networks (formerly Gridnet International, L.L.C.), GTE Internetworking (formerly BBN Planet), and ICG PST, allowing its customers to access those firms’ PoPs.

Business Strategy

MindSpring’s objective is to strengthen its position as a leading national provider of high-quality Internet access, Web hosting, and other value-added services to individuals and small businesses, as measured by customer satisfaction, subscriber growth, and financial performance. Key elements of our business strategy include:

- **Superior Customer Service and Technical Support.** Historically, this strategic focus has resulted in low churn rates, significant subscriber growth from customer referrals, and industry recognition. MindSpring has received numerous customer service awards, including *PC Computing’s* 1998 MVP Award for Best National ISP. Currently, over half of MindSpring’s employees are engaged in a customer service or technical support function.
- **Expanding National Network.** MindSpring intends to continue to efficiently increase the capacity and geographic reach of its network in order to support subscriber growth, enter new markets, and accommodate increased customer usage. The company pursues a hybrid network strategy of (1) owning PoPs in mature markets and (2) leasing PoPs and capacity from third-party network service providers in new or developing markets.
- **Expand Targeted Marketing and Distribution Activities.** The company plans targeted marketing and distribution efforts in markets where there is the opportunity for substantial market penetration. In our view, geographic concentrations of subscribers improve network economics and reduce subscriber acquisition costs, thereby resulting in higher margins. In addition to traditional print, radio, and television advertising, we expect that the company will continue to pursue nationwide strategic alliances and retail opportunities to broaden distribution. MindSpring currently has such relationships with, among others, Microsoft, 3Com, Compaq, and IBM.

- **Value-Added Services.** The company plans to build on current sales, marketing, and network capabilities to create additional revenue opportunities from value-added services such as Web hosting, Web page design, and co-location services. MindSpring began offering Web-hosting services in 1995 and currently has over 55,000 Web-hosting sub-

scribers, including approximately 25,000 Web-hosting accounts acquired from Netcom in February 1999.

- **Selected Acquisitions.** Since early 1996, MindSpring has supplemented internal expansion efforts through selected acquisitions of complimentary businesses and subscriber accounts.

Table 2

MindSpring Acquisitions

Company	Date	Focus Location	Services	Price Paid
Spry Inc.	October 1998	Northwestern US, Canada	130,000 dial-up accounts	\$32 million
Netcom On-line	February 1999	US operations	409,000 dial-up accounts 3,000 dedicated accounts 25,000 Web-hosting accounts	\$245 million

Source = Company documents

Balance Sheet and Cash Flow

MindSpring

The Balance Sheet — Looking Good

MindSpring's balance sheet is solid, and remains one of its best assets, in our opinion. Table 3 outlines the company's current financial position.

Total cash on hand increased to close to \$400 million at the end of the second quarter, as the company raised \$358 million in two offerings. In March 1999, the company filed a shelf registration with the Securities and Exchange Commission for up to \$800 million. The company acted on this in April 1999, selling 2.76 million shares of common stock for \$264 million in proceeds. In addition, the company raised \$180 million by issuing a convertible subordinated note due in 2006. From this, the company repaid \$80 million of principal and interest outstanding under a secured credit facility, which was used to complete the Netcom acquisition.

The \$200 million credit facility has an interest rate of either the bank rate plus 25 to 100 basis points (defined as the bank prime rate or the overnight federal funds rate plus 50 basis points) or LIBOR plus 125-200 basis points, depending upon the ratio of total debt to EBITDA. The facility is available until 2001 and contains certain restrictive covenants including certain financial ratios. The 5% debt cost to the company of the convertible debt issued in April lowered the company's overall cost of debt.

Despite the company's acquisitive nature lately, MindSpring remains well capitalized, and in a position to continue to build or buy market share in the Internet access market. We continue to believe that MindSpring can acquire subscribers through sales and marketing efforts at less expense than if

the company were to purchase ISPs in an effort to build its subscriber base.

Credit Analysis — Room to Maneuver

The company is highly liquid, with net cash of just under \$225 million, and working capital, current ratio, and interest coverage which are all well within their respective comfort zones. Accounts receivable remain outstanding for a mere 8 days per quarter on average, as the company collects payment for services one month in advance. This gives the company a strong cash-flow position despite subscriber expansion, and a low-cost source of capital.

Net debt to total book capitalization was heavily negative in the last quarter (-83%), and the debt to capitalization ratio is only 27%, despite the recent debt offering.

Cash Flow — In a Strong Position

Assuming MindSpring has satisfied its appetite for other ISPs, the company appears to be in a strong cash-flow position going forward. We estimate that cash flow from operations will cover investments and expenditures going forward, and that further financing will not be necessary.

We have not assumed any further acquisitions by the company. However, the firm will need to put its cash to good use. The company prides itself on its core values, one of which reads, "We are frugal. We guard and conserve the company's resources with at least the same vigilance that we would use to guard and conserve our own personal resources." The challenge to the company will be to live by this rule, while deploying its extensive cash pile effectively.

The Management Team

MindSpring

Charles M. Brewer founded MindSpring and has served as CEO and Director of MindSpring since its inception in February 1994 and as Chairman since March 1996. He also served as President of MindSpring from its inception until March 1996 and as the Secretary and Treasurer of MindSpring from its inception until January 1995. From May 1993 to January 1994, Mr. Brewer developed the concept for MindSpring and evaluated its prospects. Prior to starting MindSpring, he served as CEO of AudioFax, Inc., a software company providing fax server software, from May 1992 to April 1993 and was the CFO of AudioFax from May 1989 to April 1992. Mr. Brewer received a BA in Economics from, and was a Phi Beta Kappa graduate of, Amherst College and received an MBA from Stanford University.

Michael S. McQuary has been the President of MindSpring since March 1996, the Chief Operating Officer since September 1995, and a Director since December 1995. He also served as MindSpring's Executive Vice President from October 1995 to March 1996 and MindSpring's Executive Vice President of Sales and Marketing from July 1995 to September 1995. Prior to joining MindSpring, Mr. McQuary served in a variety of management positions with Mobil Chemical Co., a petrochemical company, from August 1984 to June 1995, including Regional Sales Manager from April 1991 to February 1994 and Manager of Operations (Reengineering) from February 1994 to June 1995. Mr. McQuary received a BA in Psychology from the University of Virginia and an MBA from Pepperdine University.

Juliet M. Reising has served as Executive Vice President, CFO and Treasurer of MindSpring since February 1999. From September 1998 to February 1999, Ms. Reising served as CFO with AvData Systems, Inc., a provider of network management services. From September 1997 to January 1998, Ms. Reising served as Vice President and CFO of Composit Communications International, a start-up call center software developer. From August 1995 to August 1997, she served as Vice President and CFO of InterServ

Services Corp., a marketing services provider. From September 1994 to August 1995, she served as Senior Vice President and CFO of Media Marketing Services, a promotional travel incentive company. From July 1993 to September 1994, she was a financial consultant and from June 1992 to June 1993, she served as Executive Vice President and CFO of Coin, Inc., a computer systems developer. Ms. Reising started her career as a CPA with Ernst & Young and received a BBA in Accounting from the University of Georgia.

Lance Weatherby has been the company's Executive Vice President of Sales and Marketing since April 1998. Previously, he had been the company's Vice President of Business Development since September 1996 and was the company's acting Vice President of Business Development commencing in August 1996. Mr. Weatherby joined the company as Market Development Manager in September 1995. Prior to that, Mr. Weatherby held a variety of sales, sales management, and marketing positions with Mobil Chemical Co., from October 1990 to September 1995, including District Sales Manager from December 1992 to September 1995. From April 1990 to October 1990, Mr. Weatherby served as an Account Executive with United Parcel Service, Inc. From December 1983 to August 1987 Mr. Weatherby served as a Sales Representative for Lantech, Inc., a packaging equipment manufacturer. Mr. Weatherby received a BBA in Marketing from Eastern Kentucky University and an MBA from Indiana University.

Samuel R. DeSimone, Jr., joined MindSpring in November 1998. Sam's most recent position was vice president of corporate development with Merix Corporation of Forest Grove, Oregon. He was previously a partner with Lane Powell Spears Lubersky of Portland and an associate attorney with Testa, Hurwitz & Thibeault of Boston. He is also a co-founder of the Oregon Young Entrepreneurs Association and a former director of the Oregon Entrepreneurs Forum. Sam earned his JD from New York University School of Law in 1984 and was a Phi Beta Kappa graduate of Amherst College in 1981.