



VirtualDesign.Net, Inc.

“Changing the way the world works”

917 SW Washington

Portland, OR 97205

Web site: <http://www.virtualdesign.net>

Founded January 1997

Incorporated: C Corp, 3/15/2000, Oregon

Mr. Robert Ebert

President, CEO

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Mission

Our mission is to provide creative-media design professionals with the access, training, tools, and web-based technology they need to transition to and maintain an all digital, ultra-high resolution, real-time broadband collaborative workspace.

Company Overview

VirtualDesign Networks is a fee-based provider of broadband, collaborative network services and web-based workspace connectivity. Founded in 1997, VirtualDesign Networks has created a global virtual workspace for designers, engineers, creative media people (*creatives*), business professionals and educators. We provide painless broadband workflow solutions for the global community from a subscription-based model that combines end-to-end turnkey collaborative tools for creative and media design professionals. These tools include real-time video-conferencing, collaborative workspaces for the creation and review of streaming media content, graphics, engineering drawings, CD and web content production, management, markup approval and distribution. We provide all of the tools and technologies that media and design people need to participate in Twenty-First Century technology, while they continue, and enhance, their best work without losing sight of their familiar production values and techniques. Through a focused vision of this market, we can parlay our understanding of their needs into a highly profitable broadband application service.

Corporate Summary

By 2004, VirtualDesign Networks will be the preferred web-based interactive workspace services provider for the creative media, educational and AEC/M (Architecture, Engineering, Construction, and Manufacturing) industries. We have developed a secure, worldwide, integrated, wideband network that features numerous server-side tools for previewing, creating, scheduling, streaming, and modifying digital media content. We are promoting and marketing our services to the global educational, engineering and creative communities. We intend to be the leader in servicing the real-time, broadband, collaborative media production needs of those market segments. Sales will exceed \$800 Million annually and VirtualDesign Networks will be vigorous in globally promoting its 105 VirtualDesign Network Centers.

In order to achieve our vision, VirtualDesign Networks will provide functional, real-time, broadband collaborative workflow tools and services to engineers, creative media people, designers, and educators. We believe our concept offers vast improvements in productivity along with significant reductions in production and travel costs for the global design, engineering, and educational communities.

Key Goals

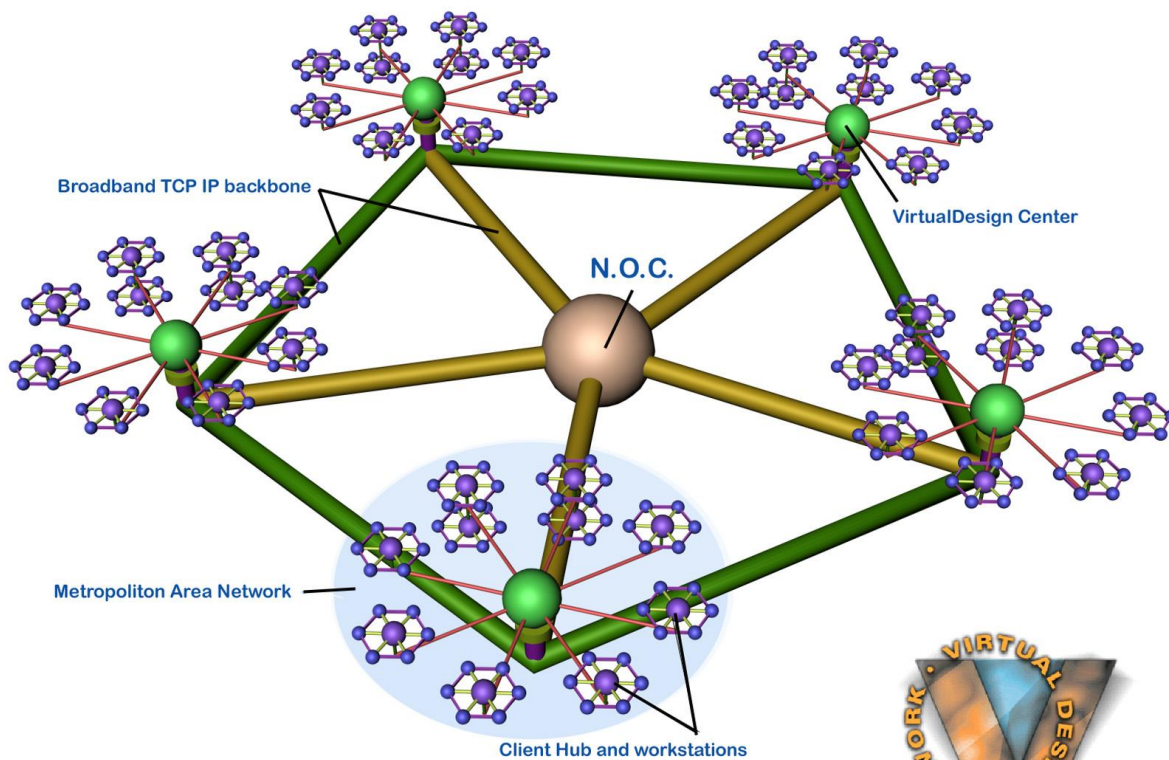
We currently provide virtual production workspaces, creative support services, training and broadband collaborative Internet hosting to content creators. We provide the hardware, browser software, training and connectivity to allow for relatively easy access to the digital domain for creative and business people. We host their data and their customers' data, which enables shared collaboration, streaming media services, and browser-based workflow.

What drives you?

Too many good ideas ... too little time. We are focused on creating the next generation collaboration tool set, designed from the ground up, to ease the physical and environmental abuses of too much travel and too many meetings.

Product or Service? Problem Solved

We provide a painless and easy way to transition to browser based all-digital media production for the technically-challenged analog media designers, as well as the experienced digital designer. Our collaborative network www.virtualdesign.net is positioned to be a resource for the design community to easily access other creative people for wide area, real-time mark-up and design for all communications and media production. We want to eliminate the needless travel, the expensive priority shipping of proofs, and the miscommunication of concepts and changes that waste time and energy in the design process.

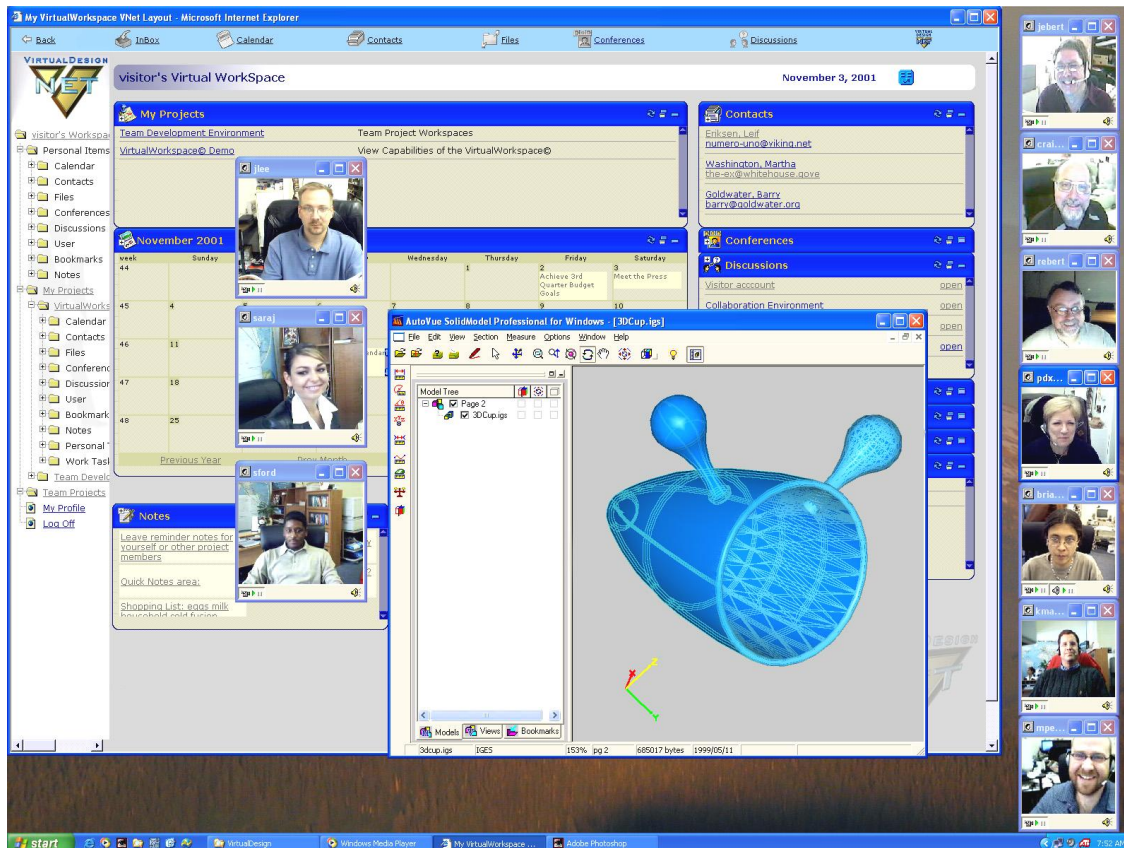


VirtualDesign Network Topology Schematic

Underlying Technology

Our network is based on Windows 2000 Advanced Server running on Pentium III boxes. Connection speeds of 256K or better and a basic video cam are all that is required by the customer. Our Network Operations Center is located in the Pittock Building, at 917 SW Washington St., in Portland, Oregon.

We have over 95 years of combined experience in the print, pre-press, and multimedia production areas as well as a deep understanding of the current digital technology, design, and manufacturing processes.



VirtualDesign.Net browser interface

Community Description

The VirtualDesign.Net community concept sees the workspace functioning as a common meeting place for members of the online digital design community, and the businesses that support them, to get together and advance the concept of real-time, collaborative computing. The Community tab features news and announcements of member companies, numerous technical resources to aid in implementing the emerging high bandwidth collaborative workflow and loads of links to related online resources. We are implementing a Job Board for posting RFPs and Requests for bids for anyone that needs work done and a portfolio section to display examples of members' work.

We are focused upon the efficiency and immediacy of high-bandwidth access as a tool for workgroup computing and real-time interactive design. By providing access to connected and leading-edge creative services, content providers, and vendors of graphics-related goods and services, we provide a central clearing house for good information created and populated by experts in utilizing the Internet as the creative tool that it should be.

Research and Development

As we expand the VirtualDesign Network, a fully distributed, real-time broadband video and audio communications web will become available with Portland as the Global Network Operations Center. VirtualDesign Networks will be the ideal creative environment for facilitating high-end face-to-face communications, collaborations and computer-based educational experiences. Executives, design teams and their clients, engineering teams, recording musicians, producers, animators, architects, media designers, educators, and product designers will all have the latest and greatest tools available for creative use in a completely secure, browser-based environment.

As VirtualDesign Networks expands to other cities, a global creative and learning community gestalt will emerge, empowering the creative talents of artists, engineers and educators around the world. Fortune 500 financial departments will welcome our services as the global online collaborative environment greatly reduces the need for individuals and teams to travel for necessary collaborative interaction and training.

In addition to our existing web collaboration and data hosting services we plan to introduce several additional follow-on services, which will greatly expand both the framework of the client experience as well as the depth and range of member interaction.

Production and Delivery

The key factors in VirtualDesign Networks broadband delivery include development of the Virtual Metropolitan Area Network (VMAN) to, first, the national and, then, the interconnected virtual global (VGAN) levels. The development and provisioning of the several core VirtualDesign Network Centers will be the final development of the ASP support software and database substructure for VirtualDesign Networks.

Market Analysis and Definition

The Internet is growing at a rapid rate. Spending on outside services for the computer services market amounted to \$100 billion in 1998—and is reliably predicted to grow by at least 50% in 2003.

Most analysts agree that the major trend is for continued expansive growth. The direction of the trend is toward the development of internet-based business-to-business services and growing numbers of Application Services Providers (ASP) and distributed network-hosting services.

Independent market research indicates that there is an exploding need for extended and expanded bandwidth; currently 56Kbps lines are used by 75% of Internet users. By 2003 high-speed access is expected to be available to 75% of the customer base. The industry, as a whole, is looking toward widespread implementation of broadband for use in the expansion of existing services and the creation of new applications and content.

The overall market potential for Internet broadband services is estimated to be \$20 billion by 2003, and the creative content portion of this market is estimated to be \$10 billion.

Customer Profile

VirtualDesign Networks' target market is the global community of digital creatives, educators, architects, engineers (civil, mechanical and software), graphic designers, commercial artists, musicians, media designers, audio production personnel, video production personnel, MP3 encoders, 3D animators, multicasting engineers, product and packaging designers, advertising agencies, corporate IT departments, movie production studios, computer graphics firms, and record companies. This market will benefit from our business-to-business services, such as real-time, full-immersion videoconferencing, Broadband real-time streaming media encoding and storage, interactive scheduling, virtual sets and full-scale 3D visualization.

Our customers will be those who depend on fostering the creative process in their businesses. We will provide 24/7 access to and use of a wide variety of high-speed, highly efficient creative and management tools for vastly improved production, project scheduling and communications.

We have identified several market segments that we intend to serve:

Architects, Engineering and Manufacturing	This group includes architects, drafting firms, engineering firms (mechanical and civil) as well as manufacturers and construction firms.
Education	This includes traditional four-year and two-year colleges and universities as well as on-line schools, technical and alternative teaching institutions.
Creatives	Advertising agencies, designers, media creatives, audio and video production facilities, animators, multicasters,

	musicians, etc.
Technical	Software development companies, computer-related hardware manufacturing companies, software engineers.
Government	Specific solutions to meet governmental and military needs and requirements.
Executive	Special Virtual Private Networks (VPNs) set up to provide high-level communications and collaboration for executives, increasing the quality of communications and decreasing the need for exhausting travel.

Competition

There are now a few companies exploring the use of the Internet as a collaborative tool. The most visible of these are WebEx, E-Vis, BlackBoard, and Broadband.com. WebEx is, currently, using proprietary lines only and cannot provide multi-point conferencing. E-Vis seeks to create a virtual office space for their clients and provides a low-cost, low-bandwidth solution offering, primarily, basic office tools. Broadband.com provides the customer with broadband communications, but is attempting to hard-wire a proprietary fiber-optic network into office buildings. We feel this is an expensive solution that does not utilize the already-extant resources that the Internet has to offer. Additionally, Broadband.com's target market is the larger, but less focused, general business market.

Until very recently, the required key factors to support this network have not been available: ubiquitous high-bandwidth Internet connections and massive carrying capacity on the Internet, capable of successfully supporting broadband interactive communications. The result is the present lack of significant, non-proprietary competition in this segment of the market.

Compared to competitive, proprietary, fixed broadband services, our focus on high-quality real-time broadband service that is dynamically provisioned over the public networks. This gives us the unique ability to provide the premium services that customers demand in a timely and profitable manner.

Risk

The top business risks that VirtualDesign Networks faces as it enters the Internet broadband collaborative services market are:

- Prior customer disappointment with previous high-cost, proprietary "solutions."
- Poor customer comprehension of the capabilities of real-time, broadband, global collaboration.
- Past customer in-house investment both in terms of expensive, now-obsolete, hardware and the often archaic mind-set of IT personnel who may feel (and may actually be) threatened by the emerging digital technologies.
- Inability to deliver promised quality of service 99.99% of the time to customers.

Marketing Plan

VirtualDesign Networks' marketing strategy is to aggressively enhance, promote, and support the fact that our services pave the way to an all-digital, broadband, real-time collaborative workspace. This workspace will be available, worldwide, to support the day-to-day requirements of the global creative and educational communities.

Our customers have told us that our current web services enjoys an excellent reputation and we fully intend to continue this trend. Inquiries from current and prospective customers suggest that there is considerable demand for the new collaborative services we propose to offer. Relationships with our existing customer base substantiate the fitness of VirtualDesign Networks for considerable growth and accomplishment in providing a necessary resource to the creative community.

We are in contract negotiations with a major supplier of outsourcing IT services for the engineering and manufacturing segments of the market.

We are also beginning negotiations to supply Intel with our collaborative workspace solution.

By focusing our advertising and marketing message on reliability, expertise and ease of use we will meet the needs of working professionals everywhere.

Marketing and Sales Strategy

Because of VirtualDesign Networks' special market characteristics, our sales strategy includes:

- Focusing on the key benefits of broadband collaboration vis-à-vis shortened production schedules, real-time problem solving and increased final quality.
- Focusing on the long term cost savings available to “Power Users” of our networks.
- Illustrating the obvious financial benefits of enhanced productivity and reduced travel budgets will be a key focus for our ad campaigns.
- Developing the “VirtualDesign Networks” brand with a distinctive technological edge reflecting the leading creative methodologies it embraces.

Distribution Channels

VirtualDesign Networks' marketing strategy incorporates plans to propagate our services through several channels:

- Promoting a targeted scale of end-to-end broadband connections and ASP services to all potential members of the network directly and through a referral system via an affiliates program.
- Providing fully configured “VirtualDesign Networks Centers” in selected cities to facilitate local service and support for members.
- Direct web sales to new and existing subscribers from a menu of collaborative services will provide the bulk of monthly residual income.

The determining factors in choosing these channels are:

- Retention of quality control for all VirtualDesign Networks services and products.
- The ability to meter and accurately and fairly charge customers for bandwidth and services rendered.

Advertising and Promotion

Our advertising and promotion strategy is to position VirtualDesign Networks as the leading high bandwidth service provider to educators and creatives in the global market.

We will utilize the following media and methods to drive our message home to our customers:

- A web-based promotional website covering the significant benefits of joining the network, featuring services menus, instant sign-up and fast access to services.

- Web and CD Presentation/demonstrations to display and present the advantages in cost-savings and production efficiency which VirtualDesign Networks provides.
- Direct marketing pieces aimed at target markets focusing on the benefits of membership with a free website offer to sign up.
- A series of trade ads carefully delineating our service and inviting creatives to join. Targeted to a variety of trade magazines devoted to the design community.

Public Relations

During the year 2002, VirtualDesign Networks will focus on the following publicity strategies:

- Carefully placed client viewpoint articles in the trade press describing various success stories of our client's use of our services.
- Providing low cost access and training to local performing arts and creative associations will help us create a series of how to videos and articles on adoption of digital technology by a wide variety of our target markets.
- Solutions articles in appropriate design-related magazines targeted to reach the decision-makers responsible for setting corporate policy regarding network vendor services.
- Audio and video interviews for webcast of various clients extolling the virtues of collaborative services placed as web media files available to the press.

We will track, wherever possible, the incremental revenue generated from our advertising, promotion and publicity efforts.

Conclusion

VirtualDesign Networks represents a certain synergistic combination of innovative ideas, insights, and depths of experience advanced by the principals, and the eminent emergence of end-to-end broadband availability over the public network. This results in a unique opportunity to delineate and service a number of premiere segments of the global Internet market. The education, design and content-production segments anticipate stratospheric growth over the next several years and VirtualDesign Networks is positioned to take great advantage of that growth.

Staffing and Qualifications Overview

Robert Ebert, CEO/President

Develops and maintains the vision of the company. Oversees corporate identification,



branding, marketing, product development, finance, customer service, etc. Approves all financial obligations. Seeks business opportunities and strategic alliances with other companies and organizations. Plans, develops and establishes policies and objectives of business organization in accordance with board directives and company charter. Directs and coordinates financial programs to provide funding for new or continuing operations in order to maximize return on investments and increase productivity. Manages working capital including receivables, inventory, cash and marketable securities. Performs financial forecasting including capital budget, cash budget,

pro forma financial statements, external financing requirements and financial condition requirements.

Prior Experience:

30 years as a business owner and communications media production designer. Specialized in 3D animation, business graphics and technical illustration. Designed and created productions for numerous web, CD-ROM multimedia, 3D animation and print projects. Handles the corporate proposal writing, accounting, AP, AR, GL and P/L. Assisted in PR, sales and marketing planning and media purchases for many clients.

John Ebert, VP of Network Systems

Designs, manages and controls corporate network servers, network infrastructure and oversees network security. Consults on client requirements for in house network



contracts. Maintains software library and installation procedures.

Prior Experience:

20 years of experience in hardware and software integration for PCs. Hardware design for product packaging, circuit board design and troubleshooting electronic assemblies to the component level. Builds and maintains graphics workstations, company LAN and company web servers. Provides streaming media production and web site design.