

# SECURITIES AND EXCHANGE COMMISSION

## FORM SB-1

Registration statement for securities of foreign governments and subdivisions thereof under the Securities Act of 1933 (Schedule B)

Filing Date: **1999-09-10**  
SEC Accession No. **0000950116-99-001720**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### NETWORK INC

CIK: **715031** | IRS No.: **522143430** | State of Incorpor.: **DE** | Fiscal Year End: **0131**  
Type: **SB-1** | Act: **33** | File No.: **333-86873** | Film No.: **99709339**  
SIC: **9995** Non-operating establishments

Mailing Address  
702 RUSSELL AVENUE  
THIRD FLOOR  
GATHERSBURG MD 20877

Business Address  
702 RUSSELL AVE  
3RD FLOOR  
GATHERSBURG MD 20877  
3016990100

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM SB-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

NETWORD, INC.  
(Name of Small Business Issuer in its Charter)

<TABLE>			
<CAPTION>			
Delaware	5140	552-2143430	
<S>	<C>	<C>	
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)	
</TABLE>			

702 Russell Avenue, Third Floor  
Gaithersburg, Maryland 20877  
1-800-NETWORD  
(Address and Telephone Number of Principal Executive Offices and  
Principal Place of Business )

Michael Wise  
President and Chief Executive Officer  
702 Russell Avenue, Third Floor  
Gaithersburg, Maryland 20877  
1-800-NETWORD  
(Name, Address, and Telephone number of Agent for Service)

Copies to:

Russell S. Berman, Esq.  
Kronish Lieb Weiner & Hellman LLP  
1114 Avenue of the Americas  
New York, New York 10036-7798

Approximate date of Proposed Sale to the Public: From time to time  
after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, check the following box and  
list the Securities Act registration statement number of the earlier effective  
registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule  
462(c) under the Securities Act, check the following box and list the Securities  
Act registration statement number of the earlier effective registration  
statement for the same offering. / /

If this form is post-effective amendment filed pursuant to Rule 462(d)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule  
434, please check the following box. / /

If any of the securities being registered on this form are to be  
offered on a delayed or continuous basis pursuant to Rule 415 under the  
Securities Act of 1933, other than securities offered only in connection with  
dividend or interest reinvestment plans, check the following box. /X/

CALCULATION OF REGISTRATION FEE



TABLE OF CONTENTS

<TABLE>	
<CAPTION>	
	Page No.
<S>	<C>
The Company .....	2
Risk Factors .....	3
We have a limited operating history and our business model is still developing, which makes it more difficult for you to evaluate our company and its prospects. We do not know when or if we will become profitable.....	3
We may need to raise additional financing to support our business. ....	3
Additional financing could result in the dilution of equity interests of current stockholders. ....	3
The growth of our business is dependent, in part, upon the growth and performance of the Internet. ....	3
Internet users and commercial Web resource owners may not use Networks. ....	4
We may not be able to adequately protect the benefits of our patent or our other intellectual property rights. ....	4
We are already engaged in important patent litigation.....	4
We are subject to substantial and vigorous competition. ....	4
We may be unable to achieve our operating and financial objectives if we cannot manage our anticipated growth effectively. ....	5
We may not be able to keep up with rapid changes in technology as necessary to maintain a proprietary technological advantage.....	5
Malfunctions and errors could cause a disruption of the Network System.....	5
Regulatory and legal uncertainties relating to the Internet could have significant costs to us or otherwise harm our business. ....	5
The risks posed by the Year 2000 problem could adversely affect our business.....	6
Shares of our common stock are subject to dilution upon the exercise of outstanding warrants, options and convertible notes.....	6
The substantial number of shares that will be eligible for sale in the future may adversely effect the market price of our common stock.....	6
We do not foresee paying dividends on our shares. ....	6
There is a limited trading market for shares of our common stock and the price for shares of our common stock is subject to fluctuation.....	6
Our directors may issue preferred stock without any vote or action of the stockholders.....	7
Trades in our common stock may become subject to the "penny stock" regulations which could limit market liquidity of our common stock.....	7
This prospectus includes forward-looking statements which could differ from actual future results.....	7
Our Business and Property.....	8
Selling Stockholders.....	14
Plan of Distribution.....	19
Use of Proceeds.....	20
Directors, Executive Officers and Significant Employees.....	21
Remuneration of Directors and Officers.....	23
Security Ownership of Management and Certain Security Holders.....	25
Interest of Management and Others in Certain Transactions.....	27
Securities Being Offered.....	28
Description of Securities.....	28
Significant Parties.....	31
Legal Proceedings .....	32
Disclosure of Commission Position on Indemnification for Securities Acts Liabilities.....	32
Legal Matters.....	33
Experts.....	33
Where You Can Find Additional Information.....	33
Index to Financial Statements.....	F-1
</TABLE>	

THE COMPANY

Network, Inc. owns and operates the Network System, a patented Internet utility which offers a simple, consumer-friendly way to reach any destination on the Internet. The Network System is a computerized technology that enables Internet users and owners of Internet resources, such as Web pages, alphanumeric pagers, files to transfer and e-mail addresses, to create simple and memorable words, phrases, numbers or other sequences of characters, called "Networks," which are used as Internet keywords to identify and access these resources in place of more complex Internet addresses known as universal resource locators or URLs. Networks may include familiar product or service names or slogans without the ".com" or other required URL prefixes or suffixes. Using Networks facilitates direct access to specific Internet resources without a browser search or the need to navigate through a complex structure of intermediate Web resources. Unlike limited keyword systems within the infrastructure of a proprietary network, such as America-On-Line's keyword system, or "bookmarks" generated by Internet users on their own computers, Networks are universal and may be used from any computer linked to the Internet.

Access to Internet resources through the Network System is available to all Internet users without charge. After logging on to the Internet, a user

merely enters an existing Network, like "NY Yankees" or "Sesame Street," in any Network-enabled browser or slot, and is instantly transferred to the Internet address corresponding to the Network. Networks can be created and edited online to correspond not merely to the top level Internet domain names (ending in the standard suffixes .com, .net, .edu or .gov and officially registered for the Internet by Network Solutions, Inc. and others), but also to specific subdomains within any Web site. As an example, the Web address www.cnn.com/food corresponds to the Network cnnfood. As the Internet is currently administered, creation of a separate registered domain name for any Internet resource is time consuming and difficult to manage. The available naming structure has a limited character set and frequently results in URLs containing complex non-memorable sequences of characters. By contrast, a user friendly Network corresponding to any Internet address can be created virtually instantaneously. What is more, once a Network is created, it can be edited or directed to a new Internet address in seconds. If a Network like "Jake's Current Special" were created, then, by virtue of the Network System's easy access and online editing capabilities, the eponymous Jake could use that Network each day (or each hour) to refer to a different address within his Web site (for example, an address featuring a product or service that was being offered at a discount for a limited time).

We like to say that URLs are a way for machines to communicate with other machines, while Networks are a way for people to communicate with other people. Indeed, Networks and the Network System are meant to make it easier for people to navigate the "Net." It is our policy to allow every Internet user to create "FREE Networks" for non-commercial purposes and to make all FREE Networks instantly available to all Internet users. Our business model is to promote the convenience of FREE Networks as a means to multiply the number of consumers employing the Network System, achieve a critical mass of consumers representing a vast potential market, and then to promote the availability of this market to attract commercial Web resource owners willing to pay appropriate fees for the rights to register Networks. Revenues from the Network System are expected to be derived principally from registration of specific Networks by commercial Web resource owners, payments by these owners for hits on their sites, sales of banner ads and other advertising on our Web site, and expanded service offerings to users of FREE Networks.

While we introduced an early version of the current Network System on the Internet in May 1997, our operation of the Network System is still in the development stage, and we have not generated significant revenues to date. Consistent with our business model, we are in the process of implementing a marketing program to familiarize large audiences of Internet users with the Network System and encourage owners of commercial Web resources to register and promote Networks to attract more visitors to their sites.

Our principal offices are located at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877. Our telephone number is 1-800-NETWORD.

References herein to "we", "us" and "Network" include Network, Inc. and our predecessors, unless the context otherwise requires.

The information on our Web site, www.network.com, is not part of this prospectus.

Network is a registered trademark. This prospectus also contains trademarks and trade names of other companies.

2

#### RISK FACTORS

Investing in our common stock involves substantial risk. You should carefully consider the risks described below and the other information in this prospectus, including our financial statements and the related notes, before you purchase any of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business. Shares of our common stock should not be purchased by persons who cannot afford the loss of their entire investment.

We have a limited operating history and our business model is still developing, which makes it more difficult for you to evaluate our company and its prospects. We do not know when or if we will become profitable.

We have a limited operating history, limited revenues and are still in the development stage of our business. Potential investors should be aware of the difficulties, delays and expenses normally encountered by an enterprise in its development stage, including, marketing costs, competition and unanticipated costs and expenses, such as litigation. Many of these factors are unpredictable and beyond our control. Our business model is still new and developing and there are no assurances that it will materialize or prove successful. We are in the process of implementing a marketing program to increase our user and customer bases and plan to devote a substantial portion of our available resources towards this effort. However, we cannot be sure that this effort will result in the increased use and registration of Networks. Accordingly, the revenue and

income potential of our business is difficult to predict. In light of the developing nature of our business and our marketing plans, we expect to continue to sustain substantial operating expenses without generating significant revenues for the foreseeable future. From December 2, 1996 through June 30, 1999, we incurred cumulative net losses of \$3,536,469.

We may need to raise additional financing to support our business.

Since December 2, 1996, the date when our predecessor company, Network LLC, was formed, we have obtained financing through a series of private offerings of our equity which have raised a total of \$6,302,528. We believe that the remaining available proceeds of these offerings (approximately \$3,400,000) will provide us with working capital sufficient to achieve our proposed short term business objectives and to implement our marketing strategies. See "Our Business and Property" - "Marketing Strategy" on page 10. However, our views as to the adequacy of our working capital cannot give rise to an assumption that our cost estimates are accurate or that such capital will be sufficient for our needs. We have no continuing source of financing currently available, and there is no assurance that we will receive any proceeds from the sale of shares pursuant to the exercise of outstanding warrants described in this prospectus. If we are unable to obtain additional financing on satisfactory terms when it is required, we may be forced to curtail or cease our operations.

Additional financing could result in the dilution of equity interests of current stockholders.

If we require additional financing we may raise it through equity offerings, joint ventures or other collaborative relationships, loans and other sources. If we choose to raise these additional funds by issuing equity securities, the percentage ownership of the then current stockholders may be reduced and the holders of the newly issued equity securities may have rights, preferences or privileges which are senior to the rights of the then current stockholders.

The growth of our business is dependent, in part, upon the growth and performance of the Internet.

The increased use of the Internet for retrieving, sharing and transferring information among businesses and consumers has only recently begun to develop. Market acceptance of the Internet is subject to a high level of uncertainty and is dependent on a number of factors, including:

- o the growth in consumer access to and acceptance of new interactive technologies; and
- o the development of technologies that facilitate interactive communication between organizations and their targeted audiences.

Additionally, issues relating to the commercial use of the Internet, such as security, reliability, cost, ease of access and quality of service remain unresolved.

3

Our success will depend, in part, on the continued growth in and the resolution of issues affecting Internet usage. If the Internet as either a commercial or business medium fails to develop or develops more slowly than expected, the market for the Network System could be materially adversely affected.

Furthermore, the recent growth in the use of the Internet has caused frequent periods of performance degradation, requiring the upgrade of routers and switches, telecommunications links and other components which form the infrastructure of the Internet by organizations with links to the Internet. Any perceived degradation in the performance of the Internet as a whole could undermine the benefits of the Network System. The potential utility of the Network System is ultimately limited by and reliant upon the speed and reliability of networks operated by third parties.

Internet users and commercial Web resource owners may not use Networks.

Our ultimate success depends upon our ability to promote and achieve widespread acceptance and use of Networks by Internet users and the registration of Networks by commercial Web resource owners. Customer acceptance of the Network System will depend upon a number of factors, including its performance, the extent of competitive products and activity, and our ability to expose Internet users and commercial Web resource owners to it.

While we plan to devote a substantial portion of our available resources to increase our user and customer base, we cannot be sure that these efforts will result in a sufficient amount of increased use of Networks by Internet users and registrations of Networks by commercial Web resource owners to make our business a success. While our marketing strategy focuses primarily on entering into teaming agreements with Web communities and publicizing the Network utility online and offline, we have not yet successfully implemented

this strategy. See "Our Business and Property" - "Marketing Strategy."

We may not be able to adequately protect the benefits of our patent or our other intellectual property rights.

The potential success of the Network System may depend on our ability to maintain proprietary rights to our technology. To protect these rights, we rely primarily upon our patent, and employee and third party confidentiality and non-disclosure agreements. Although our patent provides protection against third parties copying the Network System, it may not preclude third parties from creating systems similar to the Network System. As discussed below, we are currently engaged in patent litigation in which a final adverse decision could materially limit the protective scope of our patent. There are no assurances that the steps we have taken will deter unauthorized use of our proprietary information or that we will be able to afford the high cost of enforcing our intellectual property rights. We can give no assurances that non-disclosure and other contractual arrangements to protect our proprietary rights will not be breached or that we will have adequate remedies for any such breach. Further, we cannot assure that trade secrets or technology similar to that covered by our patent will not otherwise become known to or be independently developed by our competitors.

We are already engaged in important patent litigation.

In March, 1998, Centraal Corporation (now known as RealNames Corporation) announced a competitive system that includes a number of the functionalities we believe are protected by our patent. Microsoft Corporation and Netscape Communications Corporation have also announced keyword products that may compete, in whole or in part, with the Network System and may violate our patent. In July, 1998, we filed a patent infringement suit against RealNames. On January 8, 1999, RealNames' motion for summary judgment was granted, dismissing our claims on the ground that RealNames' system did not infringe our patent, without ruling on the validity of our patent. Our appeal of this decision is currently pending. An adverse decision on the appeal could materially limit the protective scope of our patent. See "Legal Proceedings" on page 32.

We are subject to substantial and vigorous competition.

The market for our services is relatively new, intensely competitive, quickly evolving and subject to rapid technological changes. Our competition may be expected to continue and intensify. At present, Netscape's Communicator versions 4.5 and higher, Microsoft's Internet Explorer 5.0, and RealNames Corporation's system include Internet keyword capabilities, which compete in varying degrees with the Network System. There are also keyword systems within the infrastructure of proprietary networks, such as America-On-Line's keyword system, which enable users of the proprietary network to enter keywords to access resources within the proprietary network.

4

Our financial, marketing, research and development resources are limited, but we need to continue to invest in the development of the Network System and the expansion and enhancement of our marketing and customer support services in order to compete effectively. There are no assurances that we will have sufficient resources to make the required investments. See "Our Business and Property" -- "Competition" on page 12.

We may be unable to achieve our operating and financial objectives if we cannot manage our anticipated growth effectively.

If use and commercial registration of Networks increases, there will be additional demands on our technical, customer service, sales, marketing and administrative resources. The strains imposed by these demands are magnified by the developmental nature of our operations, and we cannot be sure we will successfully manage our growth.

We may not be able to keep up with rapid changes in technology as necessary to maintain the utility and competitiveness of the Network System.

We believe that the technologies underlying the Network System are relatively well established and should not be subject to particularly rapid change. Nevertheless, we are continuously upgrading the Network System to accommodate changes in other Internet technologies, and those technologies are constantly evolving. Our future success depends on our ability to respond quickly and successfully to technological advances by continuously updating and developing the Network System. There are no assurances that we will be able to foresee and respond to such technological advances. Further, our competitors may have developed or succeed in developing technologies, products or services superior to ours.

Malfunctions and errors could cause a disruption of the Network System.

The Network System is subject to risks associated with systems errors

and malfunctions, viruses, hackers, human error, fire, natural disaster, breaches of security, telecommunications failures, sabotage and similar events, which could result in service interruptions or reduced capacity for Network users. Prolonged service interruptions could materially impair our reputation and the usefulness of the Network System, with potentially material adverse impact on our business and prospects.

Regulatory and legal uncertainties relating to the Internet could have significant costs to us or otherwise harm our business.

There are currently a number of legislative proposals being considered which may have an impact on our business. Congress has recently passed legislation regulating certain aspects of the Internet, including copyright infringement, user privacy, taxation, access charges, liability for third-party activities, transmission of sexually explicit material and jurisdiction. There are also a number of legislative and regulatory proposals to regulate the Internet that are being considered by federal, state, local and foreign governmental organizations. Areas of potential regulation include libel, pricing, quality of products and services and intellectual property ownership. It is uncertain how courts will interpret laws governing the Internet or how they will apply existing laws regulating property ownership, libel and personal privacy issues to the Internet. Additionally, the growth and development of the market for online commerce may prompt calls for more stringent consumer protection laws, both in the United States and abroad, that may impose additional burdens on companies conducting business online. Because of these uncertainties, we can not be certain how new laws governing the Internet or other existing laws will affect our business.

We may be exposed to liability for trademark infringement. The use of Networks entails the potential risk of possible infringement of third party rights. The law regarding liability for contributory trademark infringement or facilitation of unfair competition on the Internet is still unsettled. Our published terms and conditions and operating procedures include certain measures to protect the rights of owners of registered trademarks. These measures however, may not be enough to shield us from liability in the event of trademark infringement, dilution or unfair competition by the creator of a Network.

5

The risks posed by the Year 2000 problem could adversely affect our business.

We depend on the availability of the Internet infrastructure to make the Network System available to Internet users. Disruptions in the Internet infrastructure arising from Year 2000 problems could limit Internet users' ability to use Networks to access Web resources.

In addition, we have no control over the ability of third parties with which we transact business, including our suppliers and co-location provider, to adequately address their Year 2000 issues. Although the third parties on whom we rely have assured us that they are Year 2000 compliant, we have not made any independent investigation and can not be sure that these parties have adequately addressed Year 2000 issues.

Shares of our common stock are subject to dilution upon the exercise of outstanding warrants, options and convertible notes.

To date, we have issued currently outstanding options, warrants and convertible notes entitling the holders to acquire a total of 10,243,989 shares of our common stock at prices from \$0.16 to \$1.50 per share and have agreed to issue additional warrants covering 336,000 shares of our common stock to NorthStar Capital Partners LLC upon the election of W. Edward Scheetz to our board of directors. Issuance of shares upon exercise or conversion of all of these securities could result in substantial dilution to stockholders. Assuming the exercise or conversion of all of these securities as to all of the underlying shares, the underlying shares would constitute approximately 37% of our outstanding common stock. Stockholders do not have preemptive rights, and their percentage ownership may be further diluted in the event we issue additional shares in the future.

The substantial number of shares that will be eligible for sale in the future may adversely effect the market price of our common stock.

Assuming the current exercise of all outstanding rights to acquire our common stock (and the exercise of warrants as to all 336,000 underlying shares, to be issued to NorthStar Capital Partners LLC in the event W. Edward Scheetz is elected to our board of directors), there would be 28,285,913 shares of common stock outstanding. 15,501,180 of these shares are or would be "restricted securities" under the Securities Act that are not covered by this prospectus.

The market price of shares of our common stock could be adversely affected by future sales of restricted shares by existing stockholders pursuant to Rule 144 under the Securities Act, or future sales of up to 782,000 restricted shares by existing stockholders pursuant to a registration statement which we have agreed to file on their behalf.

We cannot make any predictions as to the effect, if any, that market sales of these or other shares or the availability of these or other shares for future sale will have on the market price of our common stock prevailing from time to time.

We do not foresee paying dividends on our shares.

We intend to retain any earnings to finance the expansion of our business; thus, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. There can be no assurance that our operations will result in sufficient revenues to enable us to operate at profitable levels or to generate positive cash flow. Investors who anticipate the need for immediate income from dividends should not purchase our shares.

There is a limited trading market for shares of our common stock and the price for shares of our common stock is subject to fluctuation.

Shares of our common stock are currently traded in the over-the-counter-market through quotation in the NQB Pink Sheets. Quotation of our common stock began on July 29, 1999. Actual trading volume since that date has been limited. We plan to seek quotation of our common stock on the National Association of Securities Dealers Over the Counter Bulletin Board, but there can be no assurance as to when, if ever, we will complete that process. There can be no assurance that the

6

market for our common stock will develop or will provide enough liquidity to enable investors to dispose of any shares offered by this prospectus.

The marketplace will determine present and future prices for the common stock and such prices may be influenced by many factors, including:

- o the limited liquidity of the market for our common stock;
- o our financial results;
- o the offering of competitive services;
- o investors' perceptions of us; and
- o general economic, industry and market conditions.

The stock markets have experienced extreme price and volume fluctuations that have particularly affected the market prices of equity securities of many Internet-related technology companies and that have often been unrelated or disproportionate to the operating performance of such companies. The trading prices of a number of Internet technology companies' stocks are or recently have been at or near historical highs. There can be no assurance the trading prices of any Internet-related company, including ours, will be sustained.

Our directors may issue preferred stock without any vote or action of the stockholders.

Our board of directors has the authority to issue up to 10,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any vote or action by the stockholders. The rights of the holders of our common stock may be adversely affected by the rights of the holders of any preferred stock that may be issued in the future.

Trades in our common stock may become subject to the "penny stock" regulations which could limit market liquidity of our common stock.

Trades in our common stock are not currently subject to the "penny stock" regulations, but they may become subject to such regulations in the future. The regulations require additional disclosure by brokers and dealers in connection with trades and, if applicable, could further limit market liquidity of our shares.

This prospectus includes forward-looking statements which could differ from actual future results.

Some of the statements in this prospectus that are not historical facts are "forward-looking statements". Forward-looking statements can be identified by the use of words such as "estimates," "projects," "anticipates," "expects," "intends," "believes" or the negative thereof or other variations thereon or by discussions of strategy that involve risks and uncertainties. We caution you that all the forward-looking statements contained in this prospectus are only estimates and predictions. Our actual results could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these statements. Such risks, uncertainties and assumptions include, but are not limited to, those discussed in this prospectus.

## OUR BUSINESS AND PROPERTY

## Overview

We own and operate the Network System, a patented Internet utility which offers a simple, consumer-friendly way to reach any destination on the Internet. The Network System is a computerized technology that enables Internet users and owners of Internet resources, such as Web pages, alphanumeric pagers, files to transfer and e-mail addresses, to create simple and memorable words, phrases, numbers or other sequences of characters, called "Networks," which are used as Internet keywords to identify and access these resources in place of more complex Internet addresses known as universal resource locators or URLs. Networks may include familiar product or service names or slogans without the ".com" or other required URL prefixes or suffixes. Using Networks facilitates direct access to specific Internet resources without a browser search or the need to navigate through a complex structure of intermediate Web resources. Unlike limited keyword systems within the infrastructure of a proprietary network, such as America-On-Line's keyword system, or "bookmarks" generated by Internet users on their own computers, Networks are universal and may be used from any computer linked to the Internet.

Access to Internet resources through the Network System is available to all Internet users without charge. After logging on to the Internet, a user merely enters an existing Network, like "NY Yankees" or "Sesame Street," in any Network-enabled browser or slot and is instantly transferred to the Internet address corresponding to the Network. If the entry is not an existing Network, the Network System offers the user a variety of default options which may include the use of search engines to seek out URLs employing the entered term and the opportunity to create a Network for the desired site. A user may enter Networks at the user's own Network-enabled browser, our Web site at network.com, Network slots at sites belonging to other entities operating under arrangements with us, or a Network-enabled slot on the user's home page. A user can enable a browser or homepage to use Networks by installing our software agent, which is available as a free one-minute download from our own Web site. As soon as the download is completed, the user can access any Web site for which a Network exists (or for which the user creates a FREE Network) merely by entering the Network in the user's own browser.

To date, our promotional and marketing strategy has focused on establishing teaming agreements with Web communities, through which Internet users are informed about Networks and provided with the ability to use and create "FREE Networks." We believe that as more Internet users access Web resources with Networks, commercial Web resource owners will register Networks to attract users to their sites. See "Marketing Strategy" below.

Revenues from the Network System are expected to be derived principally from registration of specific Networks by commercial Web resource owners, payments by these owners for hits on their sites, sales of banner ads and other advertising on our Web site and expanded service offerings to users of FREE Networks.

An early version of the Network System was introduced on the Internet in May, 1997 and we have continued to improve the system since then. Until recently, however, we lacked the resources to market it extensively. We have used the proceeds of recent financings to initiate a broader marketing effort described in detail below. Nevertheless, we continue to be a development stage business. Our ability to generate revenues sufficient to sustain the Network System and to achieve profitability will probably depend initially upon the outcome of our expanded marketing efforts.

## History

Network Inc. is a Delaware corporation which was formed on February 18, 1999. Immediately following its formation, it acquired by merger all of the assets and business of Network LLC, a Delaware limited liability company which owned and operated the Network System. The sole purpose of the merger was to reorganize Network LLC as a corporation.

Network LLC was formed in December, 1996 when it acquired the assets of Birdshell Corporation, L.L.C. which comprised various computer programs and systems that were key elements of the Network System as it then existed. Birdshell was formed in April, 1995, to develop and market the concept that became the Network System.

## Industry Background

The Internet's emergence as a global medium for communications and commerce is a reality. According to reports published by International Data Corporation ("IDC"), commerce conducted over the Web will exceed \$1 trillion by 2003 and the number of users who make purchases over the Web will increase from 31,000,000 in 1998 to more than 183,000,000 in 2003. Forrester Research, Inc. estimates that online advertising will reach \$33 billion by 2004.

In the last several years, there has been an outpouring of new enterprises that focus solely on distributing products and services over the Internet. More recently, mainstream businesses have begun to implement Web-based marketing programs to complement traditional business models and applications.

#### The Network Opportunity And Solution

We expect the increased use of the Internet by businesses and individuals to create a heightened demand for quick, easy and direct access to Web resources. The proliferation of complex URLs is an obstacle to satisfaction of this demand. The protocol currently governing the registration of Internet domain names requires the inclusion of .com or another suffix in every URL that identifies a top level Internet domain. Creating a separate top level domain name for every resource is theoretically possible but does not currently appear to be practicable because of time and structural constraints in the existing protocols under which the Internet is administered and the systems through which the Internet operates. Below the level of registered URLs, the density and diversity of information available on many Web sites and the methods of indexing and accessing this information within these sites lead to the denomination of various levels and sublevels of identification, which can result in URLs characterized by multiple words or characters or combinations of words or characters separated by reverse slashes. As these URLs become increasingly lengthy and complex, they become increasingly difficult to remember and, when identified or remembered, are subject to greater risk of faulty entry. It seems obvious that commercial Web resource owners can benefit from systems which simplify the names by which their customers can identify and access those resources. We believe the Network System offers an efficient and affordable solution. Using the Network System, commercial Web resource owners can identify each of their resources by selecting a corresponding Network which may be a familiar product or service name or slogan that is easy to remember. The entry of the designated Network will provide direct access to the resource.

#### Creating Networks

Creating Networks. A Network for any URL may be created or edited at our Web site at any time by following a simple on-line procedure. FREE Networks may be created without charge. "Registered Networks" may be created by opening an account with us and following a registration procedure described at our Web site ([www.network.com](http://www.network.com)). A FREE Network may, however, be bumped or displaced by a registered Network. Networks can be created for both commercial and non-commercial purposes.

The procedure for creating a Network is as follows:

- o The user enters the proposed word, phrase or number into our database by following simple online instructions at our Web site.
- o If the proposed word, phrase or number is not available, either because of trademark restrictions or prior use for another URL, the Network System immediately reports the conflict and offers the user the option to propose an alternative.
- o The creation of the new Network is confirmed to the user in its browser and by e-mail and becomes instantly available to all other users.
- o The user who created a Network can revisit our Web site to edit or change the Network online at any time.

Our terms and conditions are printed in full on our Web site and explain, among other things, that Networks are registered on a priority basis to countries, government agencies, established companies, public figures, and registered holders

of trademarks, service marks, and other similar intellectual property rights. Subject to these priorities, Networks are registered to owners on a first-come, first-served basis.

To support our policy of protecting registered trademarks and trade names, before a Network is created we conduct a rapid online search of the U.S. Patent and Trademark Office files to determine if use of the proposed Network will conflict with a federally registered trademark or tradename. We do not conduct any other independent investigation (such as an investigation of registered corporate or other business names or state trademark or tradename filings) to seek out potentially conflicting rights to the use of a proposed Network.

#### Registration of Networks

Registration of Networks. Owners of Web resources can register a Network for any of their sites for a fee of \$30 per year or \$5.00 per month. Volume discounts are available. Branch Networks or subcategories of Networks (for example, a name like cnnfood as opposed to www.cnn.com/food) can be registered for \$1 per Network per month. Registrants agree to pay us \$.01 per Network-generated hit on each Web site in excess of 10,000 hits per month. Registered "Personal Networks" which are preceded by an asterisk are also available to users for \$1 per Network per month. Networks can be registered by commercial Web resource owners on a first-come first-served basis, subject to our standard terms and conditions.

#### Revenues, Extent of Network Use and Expenditures

As of July 31, 1999, sources of revenues were derived exclusively from Network registrations at rates of \$1,000 to \$2,000 per month.

As of July 31, 1999, approximately 240,000 Networks were available on the Network System. Specifically:

- o Approximately 1,000 commercial Web resource owners, including approximately 40 Fortune 1,000 companies, had registered approximately 12,000 Networks.
- o We had placed approximately 55,000 familiar Networks in our database. These Networks provide links to 5,000 of the largest U.S. businesses, 2,000 TV and radio stations, 700 mainstream publications, 500 manufactured products, 150 government sites, 200 movie and TV programs and 125 sports teams. We receive no payment for the creation or use of these Networks.
- o Internet users had created more than 170,000 FREE Networks.

Over the two fiscal years ended December 31, 1998, we had spent approximately \$746,000 for research and development.

#### Marketing Strategy

Except for severable favorable articles written about us and the Network System, and publicity generated under a teaming agreement with GeoCities, Inc. prior to GeoCities' acquisition by Yahoo! Inc. in June, 1999, the Network System has not been generally publicized. It is our policy to allow every Internet user to create "FREE Networks" for non-commercial purposes and to make all FREE Networks instantly available to all Internet users. Our business model is to promote the convenience of FREE Networks as a means to multiply the number of consumers employing the Network System, achieve a critical mass of consumers representing a vast potential market, and then to promote the availability of this market to attract commercial Web resource owners willing to pay appropriate fees for the rights to register Networks.

To implement this strategy, we have begun and intend to continue to expose the Network System to consumers through programs that:

- o promote and give access to the Network System on community sites under teaming agreements with community sponsors;
- o advertise the Network System in more traditional forms of media; and

10

- o establish alliances with other Internet service providers (including the owners of search engines and telephone access facilities), especially those whose facilities can be coupled with and benefit from providing access to the Network System.

Additionally, we have created and continue to expand our existing Logo program. The Logo Program is an initiative to assist not-for-profit organizations to promote their Networks by displaying on their Web sites the Network logo and slots which enable visitors to access our download agent. The Network facility installed at each non-profit organization's site includes slots that permit the entry of Networks. Revenue sharing is not offered as part of this program. Approximately 100 organizations are currently participating in this program and have been important factors in driving traffic to our Web site.

From November, 1998 until June, 1999, we had an active teaming agreement with GeoCities, Inc. pursuant to which GeoCities made available and communicated to its homesteaders (members who create Web sites on the GeoCities site) the Network System and FREE Networks in exchange for certain fees and a percentage of certain related revenues. This agreement was terminated following Yahoo!, Inc.'s acquisition of GeoCities in June, 1999. The GeoCities relationship resulted in more than 2,000,000 hits to our Web site by GeoCities homesteaders, and they created more than 50,000 FREE Networks which are linked to their personal GeoCities Web pages. More than 3,000 homesteaders placed our logo and slot on the personal homepages at their GeoCities Web sites.

#### The Network Directory

In July 1999, we introduced the Network Directory, an on-line facility at our Web site which organizes all Networks by subject categories. We intend to offer advertising in this directory as a potential additional source of revenue.

#### Network System Components

The Network System currently runs on our own cluster of five PCs installed at the McLean Virginia facility of Exodus Communications, Inc., a tier-1 communications and co-location provider. We also maintain a back-up cluster of PCs at our Maryland offices. Our current services agreement with Exodus is for a one-year period, expiring August 23,2000, subject to successive one year renewals. The cost of this services agreement is \$4,830 per month. This services agreement provides us with round the clock Internet access, manned security and technical monitoring.

In June, 1999, we purchased additional equipment to facilitate installation of additional network access points for Internet connections in North America and Europe to provide additional redundancy and assure effective administration of traffic.

Most of the non-proprietary components of the hardware and operations software in the Network System are generally available from conventional commercial sources. The custom program software for the Network System is written by our senior software engineers and maintained in a version control database, which is backed up and stored in a secure facility. Although we rely for programing on our current senior software engineers, we believe we would be able to find comparable substitute engineers if the need should arise.

We believe that the operation of the Network System is subject to minimal security risks. Our PC cluster is accessible only by layered passwords. If a fire or other major disaster were to destroy our co-location provider's facility, we believe that we could provide effective substitute service within 24 to 48 hours through the PC cluster at our offices and could return to 100% capacity with an alternate co-location provider within one to two weeks. If one of the five PCs in a cluster fails, any of the other four has capacity to serve as an immediately effective substitute. We have established a firewall which limits access to the Network System and helps to insulate it from viruses.

11

#### Patent and Other Intellectual Property

On June 9, 1998, we were issued patent No. 5764906 which describes the Network System as a Universal Electronic Resource Denotation, Request and Delivery System that shares information and aliases among owners of Internet Web sites and other resources and Internet users. A recent decision in pending litigation relating to the infringement of the patent could materially limit its protective scope. See "Legal Proceedings" on page 32.

We also own various copyrighted software with special purpose components not found in any existing off-the-shelf software of which we are aware.

"Network" is registered as a trademark with the U.S. Patent and Trademark Office. On April 30, 1996, we acquired the exclusive rights to the common law and registered trademarks and trade names "Network" and "Network, Inc." for aggregate payments of \$40,600 over seven years.

#### Competition

The market for Internet services is relatively new, intensely competitive, quickly evolving and subject to rapid technological changes. The Network System already faces significant competition which may be expected to continue and intensify in the future. Our financial, marketing, research and development resources are limited, but we need to continue to invest in the development of the Network System and the expansion and enhancement of our marketing and customer support services in order to compete effectively. There are no assurances that we will have sufficient resources to make the required investments.

We believe our current competitors fit generally into the following categories:

- o keyword systems which operate through browsers, such as Netscape's Communicator versions 4.5 and higher and Microsoft's Internet Explorer 5.0, and RealNames Corporation's keyword system;
- o keyword systems within a proprietary network, such as America-On-Line's keyword system; and
- o Internet search engines and directories, such as Yahoo, AltaVista and Hotbot.

These systems are operated or backed by established companies, which have vastly greater financial, marketing, research and development resources than ours.

Microsoft, AltaVista and Network Solutions have invested in or entered into agreements with RealNames Corporation, and RealNames has substantially greater financial resources than ours. Other established companies may decide to expand their operations to offer a full range of Internet services which could potentially include a service such as ours.

Despite this array of competition, we believe we can compete effectively in our marketplace based upon our quick, efficient, easy-to use product that is free to Internet users and reasonably priced to owners of commercial Web resources. Other than RealNames' system, which has many of the functionalities of the Network System, we are not aware of any service currently offered by our competitors which provides the range of functions made available through the Network System. In practice, our system is broadly aimed to allow users to employ Networks across the entire Web. By contrast, we believe that the RealNames' system is more narrowly focused on the use of keywords in the search engines of RealNames' search partners. For a description of our patent and other intellectual property rights which may affect competition, see "Our Business and Property" - "Patent and Other Intellectual Property." See also "Legal Proceedings" for a description of pending litigation involving RealNames which may materially limit the protective scope of our patent rights.

Services currently offered by our principal competitors have certain comparative limitations:

- o America-On-Line's keyword system registers keywords which point only to content on the America-On-Line network. This system does not permit Internet users to create their own free America-On-Line keywords, and owners of commercial content who desire to create keywords for use within America-On-Line's network are subject to a limited and expensive registration process.

12

- o Netscape's keyword system, which operates through its Communicator versions 4.5 and higher, does not permit Internet users or owners of commercial Web resources to register keywords. The keywords are created by Netscape and point to NetCenter portal content and other Web resources.
- o Microsoft's Internet Explorer 5.0 browser does not permit Internet users or owners of commercial Web resources to register keywords.
- o The registration of a keyword on RealName's system can be a lengthy process and costs significantly more than commercial registration of a Network. RealNames keyword system does not offer a facility for Internet users to create free Internet keywords that can point to any resource.
- o Search engines provide multiple responses to a keyword entry and many of the responses may be unrelated to a user's query.

#### Government Approvals and Regulation

We are not currently subject to direct federal, state or local government regulation, other than regulations applicable to businesses generally. There is only a small body of laws and regulations directly applicable to access to or commerce on the Internet.

Due to the increasing popularity and use of the Internet, it is likely a number of additional laws and regulations may be adopted at the federal, state and local levels with respect to the Internet, covering issues such as intellectual property rights, user privacy, taxation, access charges, characteristics and quality of products and services, liability for third-party activities, transmission of sexually explicit material and jurisdiction. The adoption of any such laws or regulations might decrease the growth of the Internet, which in turn could decrease the demand for Networks or increase the cost of doing business or in some other manner harm our business. In addition, applicability to the Internet of existing laws governing issues such as intellectual property, taxation, obscenity and personal privacy is uncertain. The vast majority of such laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies.

In particular, the use of Networks entails the potential risk of possible infringement of third party rights. The law regarding liability for contributory trademark infringement or facilitation of unfair competition on the Internet is still unsettled. Our published terms and conditions and operating procedures include certain measures to protect the rights of owners of registered trademarks. These measures however, may not be adequate to shield us from liability in the event of trademark infringement, dilution or unfair competition by the creator of a Network.

#### Employees

As of August 31, 1999, we had seven full time employees and six consultants who provided services on an as-needed basis. We believe that our success will depend in part on our continued ability to attract, hire and retain

qualified personnel. The competition for such personnel is intense and we may not be able to readily identify, attract and retain such personnel in the future. We believe that our relationship with our employees is satisfactory. As of the date hereof, we believe that we have an appropriate mix of employee skills for our current business needs. None of our employees is represented by a labor union or retained under an employment contract. All of our employees are bound by confidentiality agreements.

#### Description of Property

We do not own real property. Our principal offices located at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877 are leased until September 2003 and cover approximately 2000 square feet of office space at a monthly rent of approximately \$3,300. We do not consider this leased location to be material to our operations, and we believe that equally suitable alternative locations are available.

13

#### SELLING STOCKHOLDERS

The following table sets forth, as of September 10, 1999, certain information regarding stockholders for whom we are registering for resale to the public an aggregate of 6,784,733 shares of common stock, which include 2,000,000 shares presently outstanding and 4,784,733 shares issuable upon the exercise of outstanding warrants held by such stockholders. Unless otherwise disclosed in the footnotes to the table, no selling stockholder has held any position or office or had any other material relationship with us during the past three years.

<TABLE>  
<CAPTION>

Name of Selling Stockholder (1)	Beneficially Owned by Stockholder Prior to This Offering (2) (3)		Number of Shares Offered for Sale for the Account of Stockholder (3)	Beneficially Owned by Stockholder After This Offering (2) (4)	
	Number of Shares -----	Percentage of Shares -----		Number of Shares -----	Percentage of Shares -----
<S> Philip S. Abrams (5)	<C> 35,952	<C> *	<C> 9,456	<C> 26,496	<C> *
Laurie Adler	25,968	*	5,933	20,035	*
Alize Limited	1,007,500	5.7%	270,000	737,500	4.1%
Amaranth Resources Limited	205,000	1.2%	180,000	25,000	*
Richard Anderson	5,191	*	1,365	3,826	*
Keith B. Ballurio	1,833	*	482	1,351	*
Wendy L. Beck	365	*	96	269	*
Vincent H. Bono	15,627	*	4,110	11,517	*
Shepard C. Bostin (6)	402,236	2.2%	6,625	395,611	2.2%
Cheltenham Capital Enterprises Limited	610,000	3.4%	360,000	250,000	1.4%
John J. Curley	46,652	*	12,270	34,382	*
G. Mark Curry	180,000	1.0%	180,000	0	*
Amy Diamond	167	*	44	123	*
Matthew Edelstein (7)	106,748 (16)	*	24,390	82,358	*
Estate of Robert Simons	331,193	1.9%	87,108	244,085	1.4%
Falling Brook Investments Ltd.	307,500	1.7%	270,000	37,500	*
Anitra Feit	90,890	*	20,767	70,123	*
Elliot Feit	90,887	*	20,766	70,121	*

</TABLE>

14

<TABLE>  
<CAPTION>

Name of Selling Stockholder (1)	Beneficially Owned by Stockholder Prior to This Offering (2) (3)		Number of Shares Offered for Sale for the Account of Stockholder (3)	Beneficially Owned by Stockholder After This Offering (2) (4)	
	Number of Shares	Percentage of Shares		Number of Shares	Percentage of Shares
<S> Jeffrey Feit	<C> 25,968	<C> *	<C> 5,933	<C> 20,035	<C> *
Neal Feit	25,968	*	5,933	20,035	*
Lynn Gettenberg	207,812	1.2%	47,482	160,330	*
John W. Gildea	117,454	*	26,836	90,618	*
Joel H. Golovensky	91,624	*	20,935	70,689	*
Mary Hamlin	7,771	*	2,044	5,727	*
Lucy Hansen	68,160	*	15,951	52,209	*
Ron and Joyce Heller	779,234	4.4%	178,043	601,191	3.4%
Hemery Nominees Limited	205,000	1.2%	180,000	25,000	*
Murray Horowitz	127,389	*	29,106	98,283	*
Hurlow Partners Inc.	205,000	1.2%	180,000	25,000	*
International Project Finance Ltd.	102,500	*	90,000	12,500	*
Jesurum (1994) Family Limited Partnership, Robert Jesurum and Toby Jesurum, Trustees	630,212	3.5%	147,484	482,728	2.7%
Kenneth R. Johnsen	246,709	1.4%	56,369	190,340	1.1%
Gladys H. Karanfilian	166,986	*	39,078	127,908	*
James Karanfilian (8)	1,154,798 (17)	6.4%	288,269	866,529	4.8%
Jordan Klineman	996,924	5.6%	227,782	769,142	4.3%
Justine Klineman	996,924	5.6%	227,782	769,142	4.3%
Kent M. Klineman (9)	2,581,802	13.3%	249,050	2,332,752	12.0%
Klondike Resources Inc.	695,372	3.9%	158,882	536,490	3.0%
Lake & Co.	205,000	1.2%	180,000	25,000	*
Alan B. Miller	119,279	*	27,914	91,365	*

</TABLE>

15

<TABLE>  
<CAPTION>

Name of Selling Stockholder (1)	Beneficially Owned by Stockholder Prior to This Offering (2) (3)		Number of Shares Offered for Sale for the Account of Stockholder (3)	Beneficially Owned by Stockholder After This Offering (2) (4)	
	Number of Shares	Percentage of Shares		Number of Shares	Percentage of Shares
<S> Srinivas Nagaraj	<C> 20,235	<C> *	<C> 5,322	<C> 14,913	<C> *

David S. and Bette

Nagelberg (10)	779,234	4.4%	178,043	601,191	3.4%
Robert C. O'Mara	93,843	*	24,682	69,161	*
Omnitrade Investments Limited	102,500	*	90,000	12,500	*
Palmerston Investments Limited	805,000	4.5%	180,000	625,000	3.5%
Anthony and Emily Pantaleoni (11)	239,940	1.4%	56,151	183,789	1.0%
Ppon Pictet & Cie	717,500	4.0%	630,000	87,500	*
Brian Puckett	6,195	*	1,629	4,566	*
Donald Puckett	167	*	44	123	*
Jerry H. Pyle	119,279	*	27,914	91,365	*
Joseph S. Reiss	519,520	2.9%	118,702	400,818	2.2%
Murray M. Rubin (12)	197,143	1.1%	29,673	167,470	*
Nadine V. Rubin	129,868	*	29,673	100,195	*
Shlomo Segev (13)	150,262	*	16,753	133,509	*
Davinder Sethi	49,648	*	13,058	36,590	*
David Smith	993	*	261	732	*
Smith Vincent & Co. Ltd.	205,000	1.2%	180,000	25,000	*
Stilwell Holding LLC (14)	535,155	3.0%	122,275	412,880	2.3%
Storage One Inc.	512,500	2.9%	450,000	62,500	*
Ike Suri	17,893	*	4,706	13,187	*
Val D'Sol Holdings	280,000	*	180,000	100,000	*

</TABLE>

16

<TABLE>  
<CAPTION>

Name of Selling Stockholder (1)	Beneficially Owned by Stockholder Prior to This Offering (2) (3)		Number of Shares Offered for Sale for the Account of Stockholder (3)	Beneficially Owned by Stockholder After This Offering (2) (4)	
	Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	
<S>	<C>	<C>	<C>	<C>	
Dennis J. and Ann A Wilkinson	108,352	*	28,498	79,854	*
Batya Wise (15)	1,849,288 (18)	10.2%	422,534	1,426,754	7.9%
Daniel Wise	207,812	1.2%	47,482	160,330	*
Gidon Wise	333,756	1.9%	47,482	286,274	1.6%
Marshall M. Wise	117,454	*	26,836	90,618	*
Richard and Ragna Young	114,850	*	30,207	84,643	*

</TABLE>

\* Less than one percent. Based on 17,705,924 shares outstanding on September 10, 1999.

- (1) The names of additional Selling Stockholders may be provided later pursuant to Section 424 (c) of the Securities Act.
- (2) Under the rules of the Securities and Exchange Commission, a person is deemed to be the beneficial owner of a security if such person has or shares the power to vote or direct the voting of such security or the

power to dispose or direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities if that person has the right to acquire beneficial ownership within 60 days. Accordingly, more than one person may be deemed to be a beneficial owner of the same securities. Unless otherwise indicated by footnote, the named individuals have sole voting and investment power with respect to the securities beneficially owned.

- (3) Includes shares of common stock held as of the date of this prospectus and those that are issuable upon the exercise of warrants issued in connection with our merger with Netword LLC.
- (4) Assumes the sale of all shares of common stock offered for sale for the account of the selling stockholder including shares issuable upon the exercise of outstanding warrants.
- (5) Mr. Abrams served as Vice President, Marketing of Netword LLC from December 1996 to March 3, 1997.
- (6) Mr. Bostin is presently the Chief Operating Officer of Netword Inc. From August 1997 to February 1999 he served as the Chief Operating Officer of Netword LLC. From April 1997 to August 1997, he served as Director of Marketing of Netword LLC.
- (7) Mr. Edelstein founded Birdshell Corporation, L.L.C. in April 1995 and served as President until its assets were acquired by Netword LLC in December 1996.
- (8) Mr. Karanfilian served as a Manager of Netword LLC from December 1996 to February 1999 and thereafter as a director of Netword Inc. until April 1999. He served as Chairman of Birdshell until it was acquired by Netword LLC in December 1996.

17

- (9) Mr. Klineman served as a Manager of Netword LLC from December 1996 to February 1999 and thereafter as a director and officer of Netword Inc.
- (10) Mr. and Mrs. Nagelberg hold our common stock and warrants to purchase common stock as joint tenants.
- (11) Mr. Pantaleoni served as counsel to Birdshell prior to its acquisition by Netword LLC in December 1996.
- (12) Mr. Rubin has been Treasurer and Chief Financial and Accounting Officer of Netword Inc. since September 1999. He has provided accounting and tax preparation services to us since December 1996.
- (13) Mr. Segev served as a software engineer for Netword LLC from December 1996 to February 1998 and for Birdshell prior to December 1996.
- (14) Prior to February 1999, the Managing Partner of Stilwell Holding LLC, K.A. Taipale was a Member of the Board of Managers of Netword LLC.
- (15) Ms. Wise is the wife of Michael Wise, the President and Chief Executive Officer of Netword Inc. Mr. Wise disclaims beneficial ownership of shares beneficially owned by his wife.
- (16) Excludes (a) 85,473 shares of common stock currently outstanding and (b) 30,503 shares of common stock issuable upon exercise of outstanding warrants held by James Karanfilian. An option to purchase such shares was granted to Matthew Edelstein in September 1996 at Mr. Karanfilian's original cost of \$256,666 plus 10% annual interest until January 26, 2000.
- (17) Includes (a) 85,473 shares of common stock currently outstanding and (b) 30,503 shares of common stock issuable upon exercise of outstanding warrants held by James Karanfilian. An option to purchase such shares was granted to Matthew Edelstein in September 1996 at Mr. Karanfilian's original cost of \$256,666 plus 10% annual interest until January 26, 2000.
- (18) Includes (a) 89,630 shares of common stock held by Ms. Wise in a custodial account in her name as custodian for her minor son, David Wise, and (b) 26,546 shares issuable upon the exercise of warrants also held by Ms. Wise as custodian for David Wise.

## PLAN OF DISTRIBUTION

Stockholders listed in the selling stockholder chart may from time to time offer and sell 6,784,733 shares of our common stock directly to purchasers. They may also from time to time offer all or any of the shares through brokers, dealers or agents. The selling stockholders and/or the purchasers of the shares may offer discounts, concessions or commissions to participating brokers, dealers or agents.

The selling stockholders and any brokers, dealers or agents who participate in the distribution of the shares may be deemed to be "underwriters". Any profits on the sale of the shares by them and any discounts, commissions or concessions which they receive may be deemed to be underwriting discounts and commissions under the Securities Act. If the selling stockholders are deemed to be underwriters they may be subject to certain statutory liabilities under the Securities Act, including, but not limited to, Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Securities Exchange Act.

The selling stockholders may sell the shares from time to time in one or more transactions at:

- o fixed prices;
- o prevailing market prices at the time of sale;
- o varying prices determined at the time of sale; or
- o negotiated prices.

The shares may be sold by one or more of the following methods, without limitation:

- o a block trade in which the broker or dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- o purchase by a broker or dealer as principal and resale by such broker or dealer for its account pursuant to this prospectus;
- o ordinary brokerage transactions and transactions in which a broker solicits purchasers; o face-to-face transactions between sellers and purchasers without a broker-dealer; and o the writing of options.

In addition, subject to applicable state and foreign laws, the selling stockholders may sell their shares outside the United States pursuant to Rules 903 and 904 of Regulation S, in private transactions or under Rule 144, rather than pursuant to this prospectus.

To the best of our knowledge, there are currently no plans, arrangements or understandings between any of the selling stockholders and any broker, dealer, agent or underwriter regarding the sale of shares by the selling stockholders. There is no assurance that any selling stockholder will sell any or all of the shares offered by it pursuant to this prospectus or that any selling stockholder will not transfer, devise or donate such shares by means not described in this prospectus.

The selling stockholders and any other person participating in the offering will be subject to applicable provisions of the Securities Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales. These restrictions may affect the marketability of the shares and the ability of any person to engage in market-making activities with respect to the shares.

We have entered into an indemnification agreement with the selling stockholders which provides that we and each selling stockholder will be indemnified by the other against certain liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith.

We will pay substantially all of the expenses incidental to the registration, offering and sale of our shares of common stock covered by this prospectus, except expenses for commissions, fees and discounts of underwriters, brokers, dealers and agents.

As used in this prospectus, reference to a selling stockholder includes its pledgees who sell shares of our common stock received from the selling stockholder after the date of this prospectus.

We will make copies of this prospectus available to the selling stockholders. At or prior to the time of any sale of shares by a selling stockholder pursuant to this prospectus, the selling stockholder must deliver a copy of this prospectus to the purchaser.

#### USE OF PROCEEDS

We will receive no proceeds from the sale of shares by selling stockholders.

We will receive \$1.25 per share from any exercise of outstanding warrants to purchase an aggregate of 4,784,733 shares which may be resold pursuant to this prospectus. If all of these warrants were exercised, we would receive gross proceeds of \$5,980,916.25. There is no assurance that any of the warrants will be exercised. Any proceeds received by us upon the exercise of the warrants will be used for general corporate purposes, including working capital and implementation of our marketing strategy.

#### DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

Our directors, officers and significant employees and certain biographical information about them are as follows:

<TABLE>  
<CAPTION>

Name	Age	Position
----	---	-----
<S>	<C>	<C>
Michael L. Wise	56	President, Chief Executive Officer, Director
Kent M. Klineman	67	Secretary, Director
W. Edward Scheetz	41	Expected to become a director. *
Shepard C. Bostin	33	Chief Operating Officer, Vice President of Marketing
Murray M. Rubin	56	Chief Financial and Accounting Officer , Treasurer
Thomas Sweeting	36	Senior Software Engineer
Simon Janes	28	Senior Software Engineer

</TABLE>

\* Subject to our obtaining directors and officers liability insurance, Mr. Scheetz has agreed to join our board of directors.

Michael Wise joined Network LLC in December 1996 as chairman of the Board of Managers and became its President and Chief Executive Officer in August 1997. Additionally, he is Vice-Chairman of nStor Technologies, Inc. (AMEX: NSO), a manufacturer of RAID subsystems and information storage solutions for PC-LAN and Unix. Since 1988, Mr. Wise has been a director (Chairman of the Board from 1992-1997) and officer of nStor. He founded IMNET Systems, Inc. (NASDAQ: IMNT), an imaging and information solutions systems provider, and served as a director and officer of that company from 1986-1995. Mr. Wise has a Ph.D. in Theoretical Physics from Brandeis University.

Kent M. Klineman joined Network LLC in December 1996 and acts as our in-house counsel. Since 1994, he has owned and operated Klineman Holding Corp., a New York venture capital firm. In 1999, he became the President and Chief Executive Officer of Hudson Investment Corp. He is also a founder, director and the secretary of EIS International, Inc. (NASDAQ: EISI), a manufacturer of

computerized telemarketing systems, and a director and a member of the executive and audit committees of Concord Camera Corp. (NASDAQ:LENS). Mr. Klineman is a graduate of Dartmouth College and Harvard Law School and holds a masters in taxation from N.Y.U. Law School's graduate tax program.

W. Edward Scheetz is a founder and is currently Co-Chief Executive Officer of NorthStar Capital Investment Corp. where he has overseen the investment of more than \$1 billion in real estate assets and operating companies. Prior to joining NorthStar in July 1997, Mr. Scheetz was a partner of Apollo Real Estate Advisors from 1993 to 1997 and a principal of Trammell Crow Ventures from 1989 to 1993. Mr. Scheetz has an A.B. in economics from Princeton University.

Shepard C. Bostin joined Network LLC in March 1997 as director of marketing and became its Chief Operating Officer in August 1997. Prior to working for us, from March 1995 to March 1997, he was Vice President of Product Marketing for SelectStar, Inc. From June 1994 to March 1995 he was an employee of Intersolv, Inc. Mr. Bostin holds a B.S., with honors, in Information and Decision Systems from Carnegie Mellon University.

-----  
1 "Significant employees" means such persons as production managers, sales managers or research scientists, who are not executive officers, but who make or are expected to make significant contributions to our business.

Murray M. Rubin is a certified public accountant and has served as the Executive Vice President and Chief Financial Officer of Klineman Holding Corp. and various related companies controlled by Mr. Klineman since 1982. He is a member of the American Institute of Certified Public Accountants and Pennsylvania Institute of Certified Public Accountants. Mr. Rubin holds a B.S. in Business Administration from The Pennsylvania State University and a Certificate of International Studies from the University of Heidelberg.

Thomas Sweeting joined Network LLC in March 1997. He oversees the development of our customer account management and billing software, and our download agent software. From March 1994 to February 1997 he was an employee of Highland Technologies, Inc. From 1992 to February 1994 he was an employee of Intrafed Inc. He received a B.S. in Computer Science from the University of Maryland.

Simon Janes was employed as a systems administrator by Network LLC from January 1997 to August 1997. After an eight month leave to attend George Mason University, he returned to us in April 1998 as a systems administrator and software engineer. He manages the development of our query, registration and Web servers and is responsible for our hardware installation, configuration and maintenance. From May 1994 to December 1996, he was employed as a systems administrator for Network and Communications Management. He is a recognized expert in the Linux operating system and related software, and, in addition to developing the EQL device driver for Linux, is among fewer than 100 Certified Linux Administrators in the world.

Directors do not receive a salary for their services as directors or a fee for attendance in person at meetings of the board of directors. Directors are reimbursed for travel expenses and other out-of-pocket expenses incurred in connection with their attendance at meetings.

Executive officers serve at the discretion of our board of directors. Significant employees serve at the discretion of our executive officers and board of directors. None of our officers or significant employees have entered into employment agreements. Accordingly, such employees may leave, and we may terminate, their employment at any time, with or without cause.

Limitations on liability and indemnification matters.

The Delaware General Corporation Law provides that a company may indemnify its directors and officers against certain liabilities. Our certificate of incorporation and bylaws provide for the indemnification of our directors and officers to the fullest extent permitted by law. The effect of such provisions is to indemnify our directors and officers against all costs, expenses and liabilities incurred by them in connection with actions, suits or proceedings in which they are involved because of their affiliation with us.

The following chart sets forth the remuneration of our directors and officers for fiscal year 1998. Footnotes to the chart indicate certain remuneration of our officers and directors for 1999.

<TABLE>  
<CAPTION>

Name and Principal Position	Fiscal Year	Salary	Other Compensation	Options
<S>	<C>	<C>	<C>	<C>
Michael L. Wise President, Chief Executive Officer, Director	1998	None (1)	(1)	(3)
Kent M. Klineman Secretary, Director	1998	None	(2)	(3)
W. Edward Scheetz Expected to become a director.*	1998	None	None.	(4)
Shepard C. Bostin Chief Operating Officer, Vice President of Marketing	1998	\$102,000	None.	(3)
Murray M. Rubin Chief Financial and Accounting Officer, Treasurer	1998	None	None.	(3)
Three highest paid officers and directors as a group.	1998	\$102,000	None.	(3)

</TABLE>

\* Subject to our obtaining directors and officers liability insurance, Mr. Scheetz has agreed to join our board of directors.

- (1) From May 1, 1999 through August 31, 1999, we paid Mr. Wise a business consulting fee of \$8,000 per month. As of August 31, 1999, he began receiving a salary at the same rate.
- (2) As of May 1, 1999, we commenced payment to Mr. Klineman of a retainer for legal services at the monthly rate of \$4,000 (to be applied against charges for Mr. Klineman's services at the rate of \$250 per hour).
- (3) Michael L. Wise was granted options to purchase (a) 1,000 units of Netword, LLC on September 30, 1997 and (b) 2,331.30 units of Netword, LLC on March 1, 1998. In connection with our merger with Netword LLC in February, 1999, these options were canceled and Mr. Wise was granted new options to purchase (a) 824,557 shares of our common stock at an exercise price of \$0.1666 per share and (b) 294,265 shares of our common stock at an exercise price of \$1.25 per share. Each option to purchase common stock at \$0.1666 per share will expire on February 17, 2002. Each option to purchase common stock at \$1.25 per share will expire on February 17, 2004. Additionally, on March 15, 1999, Mr. Wise was granted options to purchase 825,000 shares of our common stock at an exercise price of \$1.25 per share. These options will expire on February 17, 2004. He received all of these options in his capacity as a manager, director or officer.

Kent M. Klineman was granted options to purchase (a) 1,000 units of Netword, LLC on September 30, 1997 and (b) 1,804.20 units of Netword, LLC on March 1, 1998. In connection with our merger with Netword LLC in February, 1999, these options were canceled and Mr. Klineman was granted new options to purchase (a) 694,090 shares of our common stock at an exercise price of \$0.1666 per share and (b) 247,705 shares of our common stock at an exercise price of \$1.25 per share. Each option to purchase common stock at \$0.1666 per share will expire on February 17, 2002. Each option to purchase common stock at \$1.25 per share will expire on February 17, 2004. Additionally, on March

23

15, 1999, Mr. Klineman was granted options to purchase 550,000 shares of our common stock at an exercise price of \$1.25 per share. These options will expire on February 17, 2004. He received all of these options in his capacity as a manager or director.

Shepard C. Bostin was granted options to purchase (a) 520.76 units of Netword, LLC on September 30, 1997 and (b) 590.57 units of Netword, LLC on March 1, 1998. In connection with our merger with Netword LLC in February, 1999, these options were canceled and Mr. Bostin was granted new options to purchase (a) 275,074 shares of our common stock at an exercise price of \$0.1666 per share and (b) 98,167 shares of our common stock at an exercise price of \$1.25 per share. Each option to purchase common stock at \$0.1666

per share will expire on February 17, 2002. Each option to purchase common stock at \$1.25 per share will expire on February 17, 2004. He received all of these options in his capacity as an employee.

Murray M. Rubin was granted options to purchase 30 units of Netword, LLC on March 1, 1998. In connection with our merger with Netword LLC in February, 1999, these options were canceled and Mr. Rubin was granted new options to purchase (a) 7,425 shares of our common stock at an exercise price of \$0.1666 per share and (b) 2,650 shares of our common stock at an exercise price of \$1.25 per share. Each option to purchase common stock at \$0.1666 per share will expire on February 17, 2002. Each option to purchase common stock at \$1.25 per share will expire on February 17, 2004. Additionally, on September 7, 1999, Mr. Rubin was granted options to purchase 50,000 shares of our common stock at an exercise price of \$1.50 per share. These options will expire on September 7, 2001. He received all of these options in his capacity as a consultant or officer.

- (4) We have agreed to issue immediately exercisable warrants, expiring on June 30, 2004, to purchase 336,000 shares of common stock at an exercise price of \$1.50 per share to NorthStar Capital Partners LLC upon Mr. Scheetz's election to our board of directors. Mr. Scheetz holds a 50% interest in NorthStar.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITY HOLDERS

Voting Securities and Principal Holders Thereof .

The following table sets forth certain information as of September 10, 1999 with respect to shares of our common stock held of record by: (a) the three highest paid persons who are officers, (b) all directors, (c) all directors and officers as a group, and (d) each person who is not an officer or director who is known by us to own more than 10% of our outstanding common stock.

<TABLE>  
<CAPTION>

Name and address of stockholder (1)	Amount Owned Before the Offering (2) (3)	Percentage of common stock owned after the offering (2) (3)	Amount Owned after the Offering (2) (3) (10)	Percentage of common stock owned after the offering (2) (3) (10)
<S> Shepard C. Bostin (4)	<C> 402,236	<C> 2.2%	<C> 395,611	<C> 2.2%
Kent M. Klineman (5)	2,581,802	13.3%	2,332,752	12.0%
W. Edward Scheetz (6)	1,056,000	5.8%	1,056,000	5.8%
Michael Wise (7)	1,943,822	9.9%	1,943,822	9.9%
Batya Wise (8)	1,849,288	10.2%	1,426,754	7.9%
All officers and directors as a group (6) (9)	6,181,003	27.4%	5,895,655	26.2%

</TABLE>

- (1) All addresses are in our care at our principal offices.
- (2) As of September 10, 1999, there were 17,705,924 shares of common stock outstanding. The amounts shown for each stockholder include shares underlying currently exercisable options, warrants and convertible securities held by the stockholder on that date.

- (3) Except as otherwise indicated in a footnote to this chart, each person named in the table has sole voting and dispositive power with respect to the shares of common stock held by that person. Except as described in the following sentence, the shares of common stock of each person named in the table do not include shares held by that person's spouse or children. The shares of common stock of Batya Wise include shares held by Ms. Wise as custodian for David Wise.
- (4) Shepard C. Bostin is an officer. His shares include 373,241 shares underlying currently exercisable options and 6,625 shares underlying currently exercisable warrants.
- (5) Kent M. Klineman is both an officer and a director. His shares include 1,491,795 shares underlying currently exercisable options and 249,050 shares underlying currently exercisable warrants.
- (6) W. Edward Scheetz is expected to become a director. His shares include 320,000 shares underlying currently exercisable warrants which are held by NorthStar Capital Partners LLC, in which Mr. Scheetz has 50% of the voting

25

power and economic interest, and 336,000 shares underlying warrants which will be granted to NorthStar upon his election to our board of directors.

- (7) Michael Wise is both an officer and a director. His shares consist of 1,943,822 shares underlying currently exercisable options.
- (8) Batya Wise owns more than 10% of the outstanding common stock. Her shares include 89,639 shares which she holds as custodian for her son David Wise, and an aggregate of 422,534 shares underlying currently exercisable warrants which she holds either individually or as custodian for David Wise. She does not hold any options. Ms. Wise is the wife of Michael Wise, who disclaims beneficial ownership of shares held by his wife.
- (9) Includes 3,868,933 shares underlying currently exercisable options and 944,548 shares underlying currently exercisable warrants.
- (10) Assumes exercise of outstanding warrants at \$1.25 per share and resale of all shares received upon such exercise.

Options, Warrants and Rights.

The following table sets forth certain information as of September 10, 1999 with respect to options, warrants and rights to purchase shares of common stock which are held of record by: (a) the three highest paid persons who are officers, (b) all directors, (c) all directors and officers as a group, and (d) each person who is not an officer or director who is known by us to own more than 10% of the outstanding common stock.

<TABLE>  
<CAPTION>

Name of stockholder	Common stock underlying warrants (1) (2) (4)	Exercise price	Common stock underlying options (1) (3) (4)	Exercise price
<S>	<C>	<C>	<C>	<C>
Shepard C. Bostin	6,625	\$1.25	275,074	\$0.1666
			98,167	\$1.25
Kent M. Klineman	249,050	\$1.25	694,090	\$0.1666
			797,705	\$1.25
W. Edward Scheetz (5)	656,000	\$1.50	None	--
Michael Wise	None		824,557	\$0.1666
			1,119,265	\$1.25
Batya Wise (6)	422,534	\$1.25	None	--
All executive officers and directors as a group. (5)	285,348	\$1.25	1,801,146	\$0.1666
	659,200	\$1.50	2,017,787	\$1.25
			50,000	\$1.50

</TABLE>

(1) All of the options and warrants are currently exercisable. 656,000 warrants beneficially held by W. Edward Scheetz and 3,200 warrants beneficially held by Murray M. Rubin, our Chief Financial and Accounting Officer, are presently or upon issuance will be transferable subject to the availability of an exemption under the securities laws. None of the other warrants or options are transferable, except by will or the laws of descent and distribution.

26

- (2) Warrants to purchase 320,000 shares of our common stock which are beneficially held by W. Edward Scheetz and warrants to purchase 3,200 shares of our common stock which are beneficially held by Murray M. Rubin, our Chief Financial and Accounting Officer, expire on June 30, 2004 and are subject to our prior redemption under certain circumstances. Warrants to purchase 336,000 shares of our common stock will be issued to NorthStar Capital Partners LLC upon Mr. Scheetz's election to our board of directors and will expire on June 30, 2004. All other warrants expire on February 17, 2002 and are subject to our prior redemption under certain circumstances. See "Description of Securities" on page 28 for the terms under which a redemption may occur.
- (3) All options to purchase shares of common stock for \$0.1666 per share expire on February 17, 2002. All options to purchase shares of common stock for \$1.25 per share expire on February 17, 2004. Options to purchase shares of common stock for \$1.50 per share expire on September 7, 2001.
- (4) Shares underlying warrants and options of each person named in the table exclude shares underlying warrants or options held by the named person's spouse or children, except that the shares underlying warrants held by Batya Wise include shares underlying warrants which she holds as custodian for David Wise.
- (5) Mr. Scheetz is expected to become a director. All warrants are held by NorthStar Capital Partners LLC, in which Mr. Scheetz has 50% of the voting power and economic interest. The number of warrants includes warrants to purchase 336,000 shares of our common stock which will be issued to NorthStar Capital Partners LLC upon Mr. Scheetz's election to our board of directors.
- (6) Batya Wise is the wife of Michael Wise, who disclaims beneficial ownership of all warrants and shares beneficially owned by his wife.

There are no other classes of common stock and no shares of preferred stock outstanding. We have no parents or subsidiaries.

#### INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Certain of our officers and directors received options to purchase shares of our common stock and are currently paid consulting fees. See "Remuneration of Directors and Officers" on page 23.

27

#### SECURITIES BEING OFFERED

Shares of our common stock are the only securities being offered pursuant to this prospectus.

Each share of our common stock is identical in all respects and entitles the holder thereof to the same rights and privileges enjoyed by other holders of shares of common stock and subjects them to the same qualifications, limitations and restrictions to which all such other holders are subject.

Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Holders of the common stock do not have cumulative voting rights. Accordingly, subject to the voting rights that holders of preferred stock may then possess, holders of a plurality of the shares of common stock present at a meeting at which a quorum is present are able to elect all of the directors eligible for election in a given year. The holders of a majority of the voting power of the issued and outstanding capital stock constitutes a quorum.

The holders of common stock are entitled to dividends when declared by our board of directors from legally available funds. The holders of common stock are also entitled to share pro rata in any distribution to stockholders upon our liquidation or dissolution. We do not anticipate declaring or paying any cash

dividends in the foreseeable future.

None of the shares of common stock:

- o have preemptive voting rights;
- o are redeemable;
- o are liable for assessments or further calls;
- o have conversion rights; or
- o have sinking fund provisions.

All of the shares of common stock being offered hereby are being offered for sale from time to time by certain of our stockholders as indicated on the selling stockholder chart beginning on page 14, or any supplement thereto.

#### DESCRIPTION OF SECURITIES

We are authorized to issue 40,000,000 shares of common stock, par value \$.01 per share, and 10,000 shares of preferred stock, par value \$.01 per share. If all of the warrant shares covered by this prospectus are issued, we will have 22,490,657 outstanding shares of common stock, including 1,600,000 shares issuable upon exercise of all of the Regulation S warrants and 3,184,733 shares issuable upon exercise of all of the merger warrants. In addition, we have reserved 5,795,256 shares of our common stock for issuance upon the exercise of other outstanding warrants (including those to be issued to NorthStar Capital Partners LLC upon the election of W. Edward Scheetz's to our board of directors) and options and the conversion of convertible notes. We have also reserved 2,944,137 shares of our common stock for issuance upon exercise of options that may be granted in the future pursuant to our stock option plan. Assuming the purchase of shares of common stock underlying all warrants, options and convertible notes outstanding as of September 10, 1999 and the exercise of the warrants to be issued to NorthStar Capital Partners LLC upon Mr. Scheetz's election to our board of directors, 28,285,913 shares of common stock would be issued and outstanding.

#### Common Stock

For a description of our common stock, see "Securities Being Offered" directly preceding this section of the prospectus.

28

#### Preferred Stock

We may issue 10,000 shares of preferred stock in one or more series. Our board of directors may determine the terms of our preferred stock at the time of its issuance without action by the stockholders. The terms of any issuance of preferred stock may include:

- o voting rights, including the right to vote as a series on particular matters, which could be superior to those of the shares of common stock;
- o preferences over the shares of common stock as to dividends and distributions in liquidation;
- o conversion and redemption rights, including the right to convert into shares of common stock; and
- o sinking fund provisions.

None of the preferred stock is currently outstanding.

#### Stock Option Plan

On March 18, 1999, our board of directors and a majority of our stockholders adopted a stock option plan. Under the stock option plan options to acquire an aggregate of 7,500,000 shares of common stock may be granted to our employees, officers, directors and consultants, as well as other persons, at the discretion of our board of directors. The stock option plan authorizes our board of directors to issue incentive stock options, as defined in Section 422A(b) of the Internal Revenue Code, and stock options that do not conform to the requirements of that code section which are referred to as non-incentive stock options. Our board of directors has discretionary authority to determine the types of stock options to be granted, the persons among those eligible to whom options may be granted, the number of shares to be subject to such options and the terms thereof. Officers, directors, consultants and other persons who are not our employees may only be granted non-incentive stock options. The exercise price of an incentive stock option will be equal to or greater than the fair market value of the underlying shares of stock as of the date of the grant. The exercise price of a non-incentive stock option will be determined by our board of directors at the time the option is granted. The exercise price may be paid in cash, certified or bank check or by promissory note on terms prescribed by our board of directors.

#### Outstanding Options

In connection with our merger with Network LLC, options to purchase units of Network LLC were canceled and each employee, manager and consultant of Network LLC who held an option to purchase one unit of Network LLC was granted new options under our stock option plan to purchase (a) 247.518331 shares of our common stock at an exercise price of \$0.1666 per share and (b) 88.333682 shares of our common stock at an exercise price of \$1.25 per share. As a result, we granted new options to purchase a total of 2,284,374 shares of common stock at an exercise price of \$0.1666 per share (of which 43,315 have since been terminated) and 815,239 shares of common stock at an exercise price of \$1.25 per share (of which 15,458 have since been terminated). Each option to purchase common stock at \$0.1666 per share will expire on February 17, 2002. Each option to purchase common stock at \$1.25 per share will expire on February 17, 2004. In March and September, 1999, additional options to purchase an aggregate of 1,515,023 shares of our common stock at exercise prices ranging from \$1.25 to \$1.50 per share were granted to certain of our directors, officers and consultants. As of September 10, 1999, none of these options had been exercised.

#### Outstanding Warrants and Convertible Notes

Merger Warrants. In connection with our merger with Network LLC, each holder of units in Network LLC received in exchange for each unit, (a) 247.518331 shares of our common stock and (b) warrants to purchase 88.333682 shares of our common stock at an exercise price of \$1.25 per share. Accordingly, on February 18, 1999, we issued warrants to acquire a total of 3,184,733 shares of common stock. Each of those warrants is currently exercisable and expires on February 17, 2004, subject to our earlier redemption. As of September 10, 1999, none of these warrants had been exercised. The warrants issued

29

in the merger are exercisable only by the original holder or a transferee who received the warrant by will or the laws of descent and distribution.

The exercise price of these warrants and the number of warrant shares issuable upon their exercise are subject to adjustment in certain circumstances. These circumstances include a stock split of, stock dividend on, or a subdivision, combination or recapitalization of, the common stock. The warrants do not confer upon the holder any voting or any other rights of a stockholder.

We may redeem all or any of the merger warrants, at a price of \$0.05 per underlying share, at any time after the first date on which the average of the closing bid prices for our shares of common stock in any inter-dealer quotation system on which the common stock has been the subject of both bid and ask quotations shall have exceeded \$2.50 per share on 10 consecutive trading days. After the date fixed for redemption by written notice delivered to the warrant holders, the right to exercise the redeemed portion of any warrant will cease, and the holder will be entitled only to receive payment of the redemption price for the redeemed portion of the warrant. Upon a holder's surrender of a warrant, we will deliver to the holder a new warrant of like tenor and date with respect to any unredeemed portion of the warrant.

Regulation S Warrants. In an offering pursuant to Rule 903 of Regulation S under the Securities Act, on March 19, 1999, we sold warrants to purchase 1,600,000 shares of our common stock at \$1.25 per share. These warrants are currently exercisable at \$1.25 per share and will expire on February 8, 2000, subject to prior redemption as described below. As of September 10, 1999, none of the warrants had been exercised.

The exercise price of these warrants and the number of shares issuable upon their exercise are subject to adjustment in certain circumstances. These circumstances include a stock split of, stock dividend on, or a subdivision, combination or recapitalization of, our common stock. The warrants do not confer upon the holder any voting or any other rights of a stockholder.

Regulation S warrants are exercisable only by the original holder or by a transferee, provided, that we are satisfied that the transfer was made in any of the following circumstances:

- o The transfer was made to a non-U.S. person who purchased and received the warrant outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act; or
- o The transfer was made pursuant to an exemption from registration under the Securities Act and we have received an opinion to that effect from counsel acceptable to us.

We may redeem all or any of the Regulation S warrants, at a price of \$0.05 per underlying share, at any time after the first date on which the average of the closing bid prices for our shares of common stock in any inter-dealer quotation system on which the common stock has been the subject of both bid and ask quotations shall have exceeded \$2.00 per share on 10 consecutive trading days. After the date fixed for redemption by written notice delivered to the warrant holders, the right to exercise the redeemed portion of any warrant will cease, and the holder will be entitled only to receive payment

of the redemption price for the redeemed portion of the warrant. Upon a holder's surrender of a warrant, we will deliver to the holder a new warrant of like tenor and date with respect to any unredeemed portion of the warrant.

We have filed this registration statement to fulfill our obligation under the terms of the Reg S offering.

**Additional Warrants.** We have also privately issued or agreed to issue warrants to purchase an aggregate of 1,219,393 shares of common stock at exercise prices ranging from \$0.1666 to \$1.50 per share. All of these warrants are outstanding and exercisable on the date hereof, except that warrants to purchase 336,000 shares at \$1.50 per share which we have agreed to issue will be exercisable upon their issuance.

**Convertible Notes.** We have issued convertible notes totaling \$20,000, due March 31, 2002, which are convertible into common stock at \$1.00 per share.

**Transfer Agent and Registrar**

Our transfer agent and registrar is Continental Stock Transfer & Trust Company, located at Two Broadway, New York, New York 10004. Its telephone number is (212) 509-4000.

**Listing**

Shares of our common stock are currently quoted in the NQB Pink Sheets under the trading symbol "NTWD."

**SIGNIFICANT PARTIES**

<TABLE>  
<CAPTION>

Name	Address	Relationship to Netword, Inc.
<S> Shepard C. Bostin	<C> c/o Netword, Inc. 702 Russell Avenue, Third Floor Gaithersburg, MD 20877	<C> Chief Operating Officer, Vice President of Marketing
Kent M. Klineman	1270 Avenue of the Americas Suite 1800 New York, NY 10020	Secretary, Director, beneficial owner of more than 5% of our common stock.
Murray M. Rubin	c/o Netword, Inc. 702 Russell Avenue, Third Floor Gaithersburg, MD 20877	Chief Financial and Accounting Officer, Treasurer
W. Edward Scheetz	c/o NorthStar Capital Investment Group 527 Madison Avenue 16th Floor New York, New York 10022	Expected to become a director. Upon his election to our board of directors, he will become a beneficial owner of more than 5% of our common stock.
Michael Wise	c/o Netword, Inc. 702 Russell Avenue, Third Floor Gaithersburg, MD 20877	President, Chief Executive Officer, Director, beneficial owner of more than 5% of our common stock.
Batya Wise	c/o Netword, Inc. 702 Russell Avenue, Third Floor Gaithersburg, MD 20877	Beneficial owner of more than 5% of our common stock.
Alize Limited	P.O. Box 175 Frances House Sir William Place St. Peter Port Guernsey, Channel Islands GY1 4HQ	Beneficial owner of more than 5% of our common stock.
James Karanfilian	235 South Dwight Place Englewood, NJ 07631	Beneficial owner of more than 5% of our common stock.

</TABLE>

<TABLE>  
<CAPTION>

Name	Address	Relationship to Netword, Inc.
------	---------	-------------------------------

<S> Jordan Klineman	<C> 1270 Avenue of the Americas, Suite 1800 New York, NY 10020	<C> Beneficial owner of more than 5% of our common stock.
Justine Klineman	1270 Avenue of the Americas, Suite 1800 New York, NY 10020	Beneficial owner of more than 5% of our common stock.
NorthStar Capital Partners LLC	527 Madison Avenue 16th Floor New York, New York 10022	Upon the election of W. Edward Scheetz to our board of directors, NorthStar Capital Partners LLC will become a beneficial owner of more than 5% of our common stock.
Kronish Lieb Weiner & Hellman LLP	1114 Avenue of the Americas New York, New York 10036	Counsel to Netword, Inc. in connection with this registration statement.

</TABLE>

#### LEGAL PROCEEDINGS

In July, 1998, we filed a patent infringement suit against Centraal Corporation (now known as RealNames Corporation) in the U.S. District Court for the Eastern District of Virginia, alleging that its RealName system includes a number of the functionalities protected by our patent. We sought an injunction and damages. After discovery, each party moved for summary judgement. On January 8, 1999, the court granted RealNames' motion for summary judgment, holding that the RealName system did not infringe our patent, without ruling on the validity of our patent. On February 11, 1999, we filed notice of appeal of the decision, and on April 30, 1999, we filed our appellate brief with the United States Court of Appeals for the Federal Circuit. We anticipate that the appeal will be argued before the Court of Appeals prior to December 31, 1999. If the decision is upheld on appeal, it could materially limit the protective scope of our patent.

In August 1997, eight of our former employees, including the former chief executive officer, resigned and made claims against Netword LLC. Claims by four of those former employees have since been settled. In June, 1998, one of the former employees instituted an action against Netword LLC and its managers in the Circuit Court of Arlington, Virginia seeking to recover \$69,281 for, among other things, the dilution of his interest in Netword LLC and the repayment of the funded portion of his subscription to a loan made by members to Netword LLC. We are defending that action, which is currently inactive. We do not believe that our financial exposure with respect to the pending action or claims of these former employees is material.

#### DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. If a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by any director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act. We will be governed by the final adjudication of such issue.

#### LEGAL MATTERS

The legality of the securities offered hereby has been passed upon for us by Kronish Lieb Weiner & Hellman LLP, 1114 Avenue of the Americas, New York, New York 10036-7798. Kronish Lieb Weiner & Hellman LLP holds our \$20,000 promissory note due March 31, 2002, convertible into shares of our common stock at \$1.00 per share.

#### EXPERTS

Our financial statements at December 31, 1998 and for the years ended December 31, 1997 and 1998, appearing in this prospectus and the registration statement, have been audited by Mahoney Cohen & Company, CPA, P.C., independent auditors, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and

auditing in giving said report.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

This prospectus is part of a registration statement on Form SB-1 under the Securities Act that we filed with the Securities and Exchange Commission with respect to the securities offered by this prospectus. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedule filed with it. For further information about us and the securities offered by this prospectus, reference is made to the registration statement and the exhibits and schedule filed with it. Statements contained in this prospectus regarding the contents of any contract or any other document to which reference is made are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. A copy of the registration statement and the exhibits and schedule filed therewith may be inspected without charge at the public reference facilities maintained by the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048, and copies of all or any part of the registration statement may be obtained from such offices upon the payment of the fees prescribed by the Commission. Please call the Commission at 1-800-SEC-0330 for further information about its public reference room. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants, including us, that file electronically with the Commission. The address of the site is <http://www.sec.gov>. Our registration statement and the exhibits and schedules we filed electronically with the Commission are available on this site.

33

NETWORD, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)

Financial Statements

December 31, 1998

NETWORD, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)

Index

Page  
----

Independent Auditor's Report	F-1
Balance Sheets as of December 31, 1998 and June 30, 1999 (Unaudited)	F-2
Statements of Operations for the Years Ended December 31, 1998 and 1997; for the Six Months Ended June 30, 1999 and 1998 (Unaudited); and for the Period from December 2, 1996 (Inception) to June 30, 1999 (Unaudited)	F-3
Statements of Members' Deficit/Stockholders' Equity for the Years Ended December 31, 1998 and 1997; for the Six Months Ended June 30, 1999 (Unaudited); and for the Period from December 2, 1996 (Inception) to June 30, 1999 (Unaudited)	F-4
Statements of Cash Flows for the Years Ended December 31, 1998 and 1997; for the Six Months Ended June 30, 1999 and 1998 (Unaudited); and for the Period from December 2, 1996 (Inception) to June 30, 1999 (Unaudited)	F-6
Notes to Financial Statements	F-8

#### INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Netword, Inc.

We have audited the accompanying balance sheet of Netword, Inc. (formerly Netword, LLC) (A Development Stage Company) as of December 31, 1998, and the related statements of operations, members' deficit/stockholders' equity and cash flows for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Netword, Inc. (formerly Netword, LLC) as of December 31, 1998 and the results of its operations and its cash flows for the years ended December 31, 1998 and 1997, in conformity with generally accepted accounting principles.

Mahoney Cohen & Company, CPA, P.C.

August 9, 1999

NETWORK, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)  
Balance Sheets

	ASSETS	December 31, 1998	June 30, 1999 (Unaudited)
Current assets:			
Cash		\$ 59,110	\$2,507,119
Other current assets		877	-
		-----	-----
Total current assets		59,987	2,507,119
Property and equipment, net (Note 3)		92,331	96,513
Intangible assets:			
Trademark, net		30,267	28,357
Intellectual property, net (Note 4)		25,000	25,000
Deferred offering costs (Note 11)		-	50,000
		-----	-----
Total intangible assets		55,267	103,357
		-----	-----
		\$207,585	\$2,706,989
		=====	=====

LIABILITIES AND MEMBERS' DEFICIT/STOCKHOLDERS' EQUITY

Current liabilities:			
Current portion of long-term liability (Note 6)		\$ 4,800	\$ 9,600
Accounts payable		493,330	370,834
Loans payable (Note 5)		33,027	53,324
		-----	-----
Total current liabilities		531,157	433,758
Long-term liability, net of current portion (Note 6)		19,200	14,400
Commitments and contingencies (Note 10)			
Members' deficit/stockholders' equity:			
Common stock, \$.01 par value; Authorized - 40,000,000 shares Issued and outstanding - 16,923,924 shares at June 30, 1999		-	169,239
Additional paid-in capital		-	5,637,360
Deficit accumulated in the development stage (Note 8)		(301,794)	(3,536,469)
Less: Subscriptions receivable		40,978	11,299
		-----	-----
Total members' deficit/stockholders' equity		(342,772)	2,258,831
		-----	-----
		\$207,585	\$2,706,989
		=====	=====

See accompanying notes.

F-2

NETWORK, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)  
Statements of Operations

<TABLE>  
<CAPTION>

Year Ended December 31,	Six Months Ended June 30,	Period from December 2, 1996 (Inception) to June 30, 1999
----- 1998	----- 1999	
1997	1998	

			(Unaudited)	(Unaudited)	(Unaudited)
	<C>	<C>	<C>	<C>	<C>
<S>					
Revenue:					
Sales	\$ 27,650	\$ 23,100	\$ 6,638	\$ 13,129	\$ 57,388
General and administrative expenses	1,091,402	1,527,067	487,714	457,802	3,167,643
Operating loss	(1,063,752)	(1,503,967)	(481,076)	(444,673)	(3,110,255)
Other expense:					
Loss on disposition of property and equipment	(43,639)	-	-	-	(43,639)
Loss on impairment of assets (Note 4)	-	(382,575)	-	-	(382,575)
Total other expense	(43,639)	(382,575)	-	-	(426,214)
Net loss	\$ (1,107,391)	\$ (1,886,542)	\$ (481,076)	\$ (444,673)	\$ (3,536,469)
Pro forma basic and diluted loss per common share attributable to common stockholders	\$ (.13)	\$ (.54)	\$ (.04)	\$ (.06)	
Pro forma weighted average number of shares outstanding	8,443,359	3,507,964	13,520,609	7,975,871	

</TABLE>

See accompanying notes.

F-3

NETWORD, INC.  
 (Formerly Netword, LLC)  
 (A Development Stage Company)  
 Statements of Members' Deficit/Shareholders' Equity

<TABLE>  
<CAPTION>

	Number of		Common Stock		Additional	Members' Deficit/ Stockholders' Equity Accumulated in the Development Stage	Subscriptions Receivable	Total Members' Deficit/ Stockholders' Equity
	Class A Units	Class C Units	Shares	Amount	Paid-In Capital			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
December 2, 1996 (inception)	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
Cash contribution by Network Partners in December 1996 (Note 1)	5,100.00	-	-	-	-	250,000	-	250,000
Assets acquired from Birdshell Corporation LLC in exchange for equity units (Note 1)	2,125.59	54.21	-	-	-	428,571	-	428,571
Net loss	-	-	-	-	-	(61,460)	-	(61,460)
Balance, December 31, 1996	7,225.59	54.21	-	-	-	617,111	-	617,111
Cash contributions by Network Partners from January through April 1997	-	-	-	-	-	750,000	-	750,000
Class A Units issued in May 1997	8,560.50	-	-	-	-	428,027	-	428,027
Class A Units issued in								

September 1997	4,806.94	-	-	-	-	300,001	-	300,001
Subscriptions receivable	-	-	-	-	-	-	(16,251)	(16,251)
Net loss	-	-	-	-	-	(1,886,542)	-	(1,886,542)
Balance, December 31, 1997	20,593.03	54.21	-	-	-	208,597	(16,251)	192,346
Class A Units issued from February through December 1998	15,406.45	-	-	-	-	597,000	-	597,000
Subscriptions receivable	-	-	-	-	-	-	(24,727)	(24,727)
Net loss	-	-	-	-	-	(1,107,391)	-	(1,107,391)
Balance, December 31, 1998 (carried forward)	35,999.48	54.21	-	\$ -	\$ -	\$ (301,794)	\$ (40,978)	\$ (342,772)

</TABLE>

See accompanying notes.

F-4

NETWORD, INC.  
 (Formerly Network, LLC)  
 (A Development Stage Company)  
 Statements of Members' Deficit/Stockholders' Equity (Concluded)

	Number of		Common Stock		Additional Paid-In Capital	Members' Deficit/Stockholders' Equity Accumulated in the Development Stage	Subscriptions Receivable	Total Members' Deficit/Stockholders' Equity
	Class A Units	Class C Units	Shares	Amount				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1998 (brought forward)	35,999.48	54.21	-	\$ -	\$ -	- \$ (301,794)	\$ (40,978)	\$ (342,772)
Exchange of Class A and Class C Units for common stock in February 1999	(35,999.48)	(54.21)	8,923,924	89,239	2,664,360	(2,753,599)	-	-
Conversion of accounts payable to warrants in March 1999	-	-	-	-	114,000	-	-	114,000
Issuance of common stock in March 1999	-	-	6,000,000	60,000	940,000	-	-	1,000,000
Issuance of common stock and warrants in March 1999	-	-	2,000,000	20,000	1,980,000	-	-	2,000,000
Offering costs	-	-	-	-	(75,000)	-	-	(75,000)
Issuance of warrants for legal services	-	-	-	-	14,000	-	-	14,000
Subscriptions receivable	-	-	-	-	-	-	29,679	29,679
Net loss	-	-	-	-	-	(481,076)	-	(481,076)
Balance, June 30, 1999 (Unaudited)	-	-	16,923,924	\$169,239	\$5,637,360	\$ (3,536,469)	\$ (11,299)	\$2,258,831

</TABLE>

See accompanying notes.

NETWORK, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)  
Statements of Cash Flows

<TABLE>  
<CAPTION>

	Year Ended December 31,		Six Months Ended June 30,		Period from December 2, 1996 (Inception) to June 30, 1999
	1998	1997	1999	1998	(Unaudited) (Unaudited) (Unaudited)
<S>	<C>	<C>	<C>	<C>	<C>
Net loss	\$ (1,107,391)	\$ (1,886,542)	\$ (481,076)	\$ (444,673)	\$ (3,536,469)
Adjustments to reconcile net loss to cash used in operating activities:					
Depreciation and amortization	99,951	98,549	29,820	51,910	233,189
Loss on disposition of property and equipment	43,639	-	-	-	43,639
Loss on impairment of assets	-	382,575	-	-	382,575
Change in assets and liabilities:					
Other current assets	(877)	-	877	-	-
Deposits	4,214	-	-	-	-
Accounts payable	390,697	94,904	(8,496)	134,972	484,834
Net cash used in operating activities	(569,767)	(1,310,514)	(458,875)	(257,791)	(2,392,232)
Cash flows from investing activities:					
Proceeds from sale of property and equipment	10,000	-	-	-	10,000
Acquisition of property and equipment	-	(199,774)	(32,092)	-	(352,789)
Acquisition of trademark	-	-	-	-	(37,913)
Net cash provided by (used in) investing activities	10,000	(199,774)	(32,092)	-	(380,702)
Cash flows from financing activities:					
Proceeds from long-term debt	-	-	-	-	33,600
Principal payments of long-term debt	(4,800)	(4,800)	-	-	(9,600)
Proceeds from loans	-	461,054	20,297	-	481,351
Deferred offering costs	-	-	(50,000)	-	(50,000)
Contributions from members and stockholders	572,273	1,033,750	2,968,679	212,394	4,824,702
Net cash provided by financing activities	567,473	1,490,004	2,938,976	212,394	5,280,053
Net increase (decrease) in cash (carried forward)	\$ 7,706	\$ (20,284)	\$ 2,448,009	\$ (45,397)	\$ 2,507,119

</TABLE>

See accompanying notes.

NETWORK, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)  
Statements of Cash Flows (Concluded)

<TABLE>  
<CAPTION>

Period from

	Year Ended December 31,		Six Months Ended June 30,		December 2, 1996 (Inception) to June 30, 1999
	1998	1997	1999	1998	1999
<S>	<C>	<C>	(Unaudited) <C>	(Unaudited) <C>	(Unaudited) <C>
Net increase (decrease) in cash (brought forward)	\$ 7,706	\$ (20,284)	\$2,448,009	\$ (45,397)	\$ 2,507,119
Cash, beginning of period	51,404	71,688	59,110	51,404	-
Cash, end of period	\$ 59,110	\$ 51,404	\$2,507,119	\$ 6,007	\$ 2,507,119

Supplemental Schedules of Non-Cash Investing and Financing Activities

Subscriptions receivable	\$ 24,727	\$ 16,251	\$ -	\$ 12,393	\$ 11,299
Issuance of Class A Units and Class C Units in exchange for:					
Intellectual property	\$ -	\$ -	\$ -	\$ -	\$ 407,575
Net assets acquired	-	-	-	-	20,996
	\$ -	\$ -	\$ -	\$ -	\$ 428,571
Conversion of loans to Class A Units	\$ -	\$ 428,027	\$ -	\$ -	\$ 428,027
Conversion of accounts payable to warrants	\$ -	\$ -	\$ 114,000	\$ -	\$ 114,000
Issuance of warrants for legal services	\$ -	\$ -	\$ 14,000	\$ -	\$ 14,000

</TABLE>

See accompanying notes.

F-7

NETWORD, INC.

(Formerly Netword, LLC)

(A Development Stage Company)

Notes to Financial Statements

(unaudited with respect to the six months ended June 30, 1999 and 1998  
and for the period from December 2, 1996 (inception) to June 30, 1999)

Note 1 - The Company

Netword, LLC (the "Company") owns and operates an Internet utility known as the Netword System which the Company believes offers a comprehensive solution to problems created by a lack of consumer-friendly addresses for Internet resources. The Company was formed as a limited liability company under the laws of the State of Delaware, to acquire the business and assets of Birdshell Corporation, L.L.C. ("Birdshell"). The Company has been in the development stage since its organization on December 2, 1996.

The Company was organized by Netword Partners and acquired certain assets and assumed certain liabilities of Birdshell as provided for in a Limited Liability Company Agreement dated as of December 2, 1996 (the "Agreement"). Birdshell was formed in April 1995 to develop the Netword System. The Birdshell acquisition was accounted for using the purchase method of accounting. The acquired assets primarily consisted of proprietary rights to intellectual property, including U.S. and foreign patent applications, trademarks and Internet domain registrations, and certain other property and equipment having an aggregate original estimated value of \$960,000. The liabilities assumed consisted of various computer and telephone leases, obligations under a trademark purchase agreement and certain accrued expenses. In exchange for the acquired assets, the Birdshell investors received membership interests in the Company ("Units") consisting of 4,900 Class A Units, representing 49% of the Company's equity, subject to reduction to 268.42 Class C Units if the Company did not achieve various milestones at various dates. As a result of the Company's failure to achieve these milestones, in July 1997, the 4,900 Class A Units were converted into 268.42 Class C Units. In September 1997, the Company proposed an amendment to the Agreement that was accepted by 214.21 of the Class

C Unit holders which resulted in the conversion of their Class C Units into 2,125.59 Class A Units, representing 29.42% of the Company's equity; the holders of the remaining 54.21 Class C Units did not convert their Class C Units into Class A Units. The reduction in the equity interests of the Birdshell investors required a \$532,213 reduction in the intellectual property and members' equity.

Pursuant to the Agreement, Network Partners loaned the Company \$1,000,000 (the "Loan") and also received 5,100 Class B-2 Units. In 1997, pursuant to the Agreement, the Loan was converted into 5,100 Class A Units and the 5,100 Class B-2 Units were cancelled. The above transactions are reflected in the statements of members' deficit/stockholders' equity as if the transactions occurred in December 1996.

F-8

NETWORK, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)  
Notes to Financial Statements  
(unaudited with respect to the six months ended June 30, 1999 and 1998  
and for the period from December 2, 1996 (inception) to June 30, 1999)

Note 1 - The Company (Continued)

On February 18, 1999, the Company was merged into Network, Inc., a Delaware corporation (the "Merger"). The Merger was accounted for as a reverse acquisition on the pooling of interest method and gave effect to the issuance by Network, Inc. to members of the Company of 8,923,924 shares of common stock and 3,184,733 warrants to purchase common stock at \$1.25 per share, in exchange for 35,999.48 Class A Units and 54.21 Class C Units. Options on 2,284,374 shares of common stock at \$.167 per share and 815,239 shares of common stock at \$1.25 per share were issued by Network, Inc. to replace outstanding options to purchase units previously granted by the Company. In addition, options on 1,406,250 shares of common stock at \$1.25 were issued by Network, Inc. to certain Company directors and one Company employee.

Note 2 - Summary of Significant Accounting Policies

Interim Financial Statements

The interim financial statements at June 30, 1999 and for the six months ended June 30, 1999 and 1998 and for the period from December 2, 1996 (inception) to June 30, 1999 are unaudited; however, in the opinion of management, all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation have been included. Results of interim periods are not necessarily indicative of results to be expected for the entire year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment is recorded at cost. Furniture and fixtures and computer equipment are depreciated using an accelerated method over the estimated useful lives of the related assets, ranging from three to five years. Amortization of the computer software is computed using the straight-line method over three years. Major additions and betterments are capitalized and repairs and maintenance are charged to operations in the period incurred.

F-9

NETWORK, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)  
Notes to Financial Statements  
(unaudited with respect to the six months ended June 30, 1999 and 1998  
and for the period from December 2, 1996 (inception) to June 30, 1999)

Note 2 - Summary of Significant Accounting Policies (Continued)

Trademark

The trademark is stated at cost and is amortized using the straight-line method over ten years. The trademark is reported net of accumulated amortization of \$7,965 at December 31, 1998.

Income Taxes

The Company is organized as a limited liability company and has elected not to be a tax paying entity. The members are individually responsible for their shares of the Company's income or loss for income tax reporting purposes. Accordingly, there is no provision for federal and state income taxes.

Pro Forma Basic and Diluted Loss Per Share (Unaudited)

The Company has elected to disclose pro forma loss per share, as if it had adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128") giving effect to the merger discussed in Note 1. Under SFAS 128, companies that are publicly held or have complex capital structures are required to present basic and diluted earnings per share ("EPS") on the face of the income statement. SFAS 128 replaces the presentation of primary EPS with a presentation of basic EPS and, if applicable, diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted and the resulting additional shares are dilutive because their inclusion decreases the amount of EPS. The effects on pro forma loss per share of the Company's outstanding options are antidilutive and therefore not included in the calculation of the pro forma weighted average number of common shares outstanding.

Fair Value of Financial Instruments

The Company applies provisions of Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107"). SFAS 107 requires all entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized on the balance sheet, for which it is practicable to estimate fair value. SFAS

F-10

NETWORD, INC.

(Formerly Netword, LLC)

(A Development Stage Company)

Notes to Financial Statements

(unaudited with respect to the six months ended June 30, 1999 and 1998 and for the period from December 2, 1996 (inception) to June 30, 1999)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

107 defines fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. At December 31, 1998, management believes the fair value of all financial instruments approximated carrying value.

Stock-Based Compensation

The Company applies the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", ("SFAS No. 123") which requires entities to recognize as expense over the vesting period the fair value as of the date of grant of all stock awards. Alternatively, SFAS No. 123 allows entities to apply the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations, and to provide pro forma net income and pro forma net income per share disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to apply the provisions of APB Opinion No. 25, under which compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price, and provide the pro forma disclosure provisions of SFAS No. 123 in its annual financial

statements (see Note 7).

#### Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," (SFAS No. 121"), long-lived assets are evaluated for possible impairment through a review of undiscounted expected future cash flows. The carrying value of a long-lived asset is considered impaired if the sum of the undiscounted expected future cash flows is less than the carrying amount of that asset. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived assets.

#### Advertising and Marketing Expenses

Advertising expenses are charged to operations in the period in which they are incurred. Advertising expenses for the years ended December 31, 1998 and 1997 were approximately \$63,200 and \$117,300, respectively.

F-11

#### NETWORD, INC.

(Formerly Netword, LLC)

(A Development Stage Company)

Notes to Financial Statements

(unaudited with respect to the six months ended June 30, 1999 and 1998 and for the period from December 2, 1996 (inception) to June 30, 1999)

#### Note 2 - Summary of Significant Accounting Policies (Continued)

##### Research and Development

Research and development costs amounted to approximately \$210,00 and \$536,000 for the years ended December 31, 1998 and 1997, respectively.

#### Note 3 - Property and Equipment

Property and equipment consists of:

	December 31, 1998	June 30, 1999
	-----	-----
		(Unaudited)
Furniture and fixtures	\$ 29,556	\$ 29,556
Computer equipment	95,352	127,445
Computer software	92,523	92,523
	-----	-----
	217,431	249,524
Less: Accumulated depreciation and amortization	125,100	153,011
	-----	-----
	\$ 92,331	\$ 96,513
	=====	=====

#### Note 4 - Intellectual Property

In connection with the acquisition of the Birdshell assets, the Company acquired proprietary rights to intellectual property relating to the Netword System having an initial value of \$939,788. Subsequently, in September 1997, as discussed in Note 1, the holdings of the former Birdshell investors were reduced from 49% to 29.42%, resulting in a reduction of the intellectual property and members' equity by \$532,213.

In connection with the adoption of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of", based upon an appraisal, the intellectual property was considered to be impaired. Accordingly, a loss of \$382,575 was recognized during the year ended December 31, 1997.

F-12

NETWORD, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)  
Notes to Financial Statements  
(unaudited with respect to the six months ended June 30, 1999 and 1998  
and for the period from December 2, 1996 (inception) to June 30, 1999)

Note 5 - Loans Payable

In May 1997, the Company offered its members rights to subscribe to their pro rata share of a \$500,000 loan (the "97 loan"), together with five year warrants to purchase 10,000 Class A Units at \$50 per unit. The exercise price of a warrant was payable in cash or by the forgiveness of all or a portion of the 97 loan. The 97 loan was fully subscribed; however, certain subscribers did not fully fund their subscriptions to that loan and, accordingly, did not qualify for conversion of their shares of the 97 loan into Class A Units. The members who funded all installments of their subscriptions to the 97 loan subsequently converted their interests in that loan into Class A Units. At December 31, 1998, the Company had \$33,027 of loans payable to subscribers to the 97 loan who did not fully fund their subscriptions.

Note 6 - Long-Term Liability

In connection with the acquisition of the Birdshell assets, the Company assumed a long-term liability related to the purchase of the Network trademark. This liability is payable in equal installments of \$4,800 per year concluding on April 30, 2003.

Note 7 - Options

The Company has granted options to purchase the Company's Class A Units to managers and key employees responsible for the direction and management of the Company and to non-employee consultants and independent contractors. At December 31, 1998, there were 9,229.14 Class A Units reserved for issuance pursuant to such options.

Pro forma information regarding net loss and net loss per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its applicable options under the fair value method of the statement.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the weighted-average assumptions for 1998, including a risk free interest rate of 5%, a volatility factor of the expected market price of the Company's common stock of .84 and a weighted-average remaining contractual life of the option of 60 months.

F-13

NETWORD, INC.  
(Formerly Network, LLC)  
(A Development Stage Company)  
Notes to Financial Statements  
(unaudited with respect to the six months ended June 30, 1999 and 1998  
and for the period from December 2, 1996 (inception) to June 30, 1999)

Note 7 - Options (Continued)

This model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option vesting period. The effects of applying SFAS No. 123 for pro forma disclosures are not likely to be representative of the effects on reported net income or losses for future years. The Company's pro forma information follows:

Years Ended  
December 31,

	1998	1997
Pro forma net loss	\$(1,161,528)	\$(1,893,184)
Pro forma net loss per share	(.14)	(.54)

A summary of applicable option activity and related information for the years ended December 31, 1998 and 1997 is as follows:

	1998		1997	
	Options	Weighted- Average Exercise Price	Options	Weighted- Average Exercise Price
Outstanding, beginning of year	3,085.25	\$62.41	-	\$ -
Granted	6,185.55	38.75	3,085.25	62.41
Exercised	-	-	-	-
Forfeited	41.66	62.41	-	-
Outstanding, end of year	9,229.14	46.55	3,085.25	62.41
Exercisable, end of year	4,221.82	\$49.41	385.06	\$62.41

F-14

NETWORD, INC.

(Formerly Network, LLC)

(A Development Stage Company)

Notes to Financial Statements

(unaudited with respect to the six months ended June 30, 1999 and 1998  
and for the period from December 2, 1996 (inception) to June 30, 1999)

Note 7 - Options (Continued)

The weighted-average fair value of options granted during 1998 and 1997 was \$26.74 and \$43.06, respectively. Exercise prices for options outstanding as of December 31, 1998 ranged from \$38.75 to \$62.41. These options were replaced by new options as a result of the merger as discussed in Note 1 and expire at various times through February, 2004.

Note 8 - Equity Transactions

Pursuant to the Agreement, during 1997 the Loan was converted into 5,100 Class A Units and the Class B-2 Units were cancelled. \$250,000 of the Loan was funded in December 1996; the \$750,000 balance was funded during the period from January 1, 1997 through April 15, 1997.

In May 1997, the Company sold 8,560.50 Class A Units at \$50.00 per Unit resulting in proceeds of \$428,027. In September 1997, the Company sold 4,806.94 Class A Units at \$62.41 per Unit, resulting in proceeds of \$300,001.

In February 1998, the Company offered its members rights to subscribe to their pro rata share of a \$600,000 offering, consisting of 15,483.87 Class A Units at \$38.75 per Unit. In addition, to protect option holders from dilution resulting from the \$600,000 offering, the Company also granted option holders their pro rata share of 2,313.93 new options to purchase Class A Units at an exercise price of \$38.75. The members subscribed to 15,406.45 Class A Units for total proceeds of \$597,000.

Note 9 - Related Party Transaction

During the year ended December 31, 1997, the Company incurred \$10,000 for consulting services to an entity owned by the Company's president.

NETWORD, INC.  
 (Formerly Netword, LLC)  
 (A Development Stage Company)  
 Notes to Financial Statements  
 (unaudited with respect to the six months ended June 30, 1999 and 1998  
 and for the period from December 2, 1996 (inception) to June 30, 1999)

Note 10 - Commitments and Contingencies

Operating Lease

The Company leases an office under a non-cancellable operating lease expiring in 2003. Future minimum lease payments are as follows:

Year Ending December 31,	
1999	\$ 40,000
2000	40,000
2001	42,000
2002	43,000
2003	29,000
	-----
	\$194,000
	=====

Total rent charged to operations for the years ended December 31, 1998 and 1997 was approximately \$66,000 and \$84,000, respectively.

Litigation

In August 1997, eight employees, including the former chief executive officer, resigned and made claims against the Company. Claims by four of those former employees have since been settled. One of the former employees instituted an action against the Company and its managers in June 1998, in the Circuit Court of Arlington, Virginia, seeking to recover approximately \$70,000 for, among other things, the dilution of his interest in the Company and the repayment of the funded portion of his subscription to the 97 loan (see Note 5). The Company is defending that action which is currently inactive. The Company does not believe that its financial exposures with respect to the pending action or unsettled claims of the other former employees is material.

NETWORD, INC.  
 (Formerly Netword, LLC)  
 (A Development Stage Company)  
 Notes to Financial Statements  
 (unaudited with respect to the six months ended June 30, 1999 and 1998  
 and for the period from December 2, 1996 (inception) to June 30, 1999)

Note 11 - Subsequent Events

In February 1999, the Company settled fees of \$655,000 for legal services by payment of \$200,000 and an agreement to deliver warrants to purchase 150,000 shares of Netword, Inc. common stock at \$.1667 per share (subsequently delivered by Netword, Inc.). The fair value for the warrants was estimated to be \$.76 per warrant at the date of the agreement, using the Black-Scholes option pricing model.

On March 19, 1999, Netword, Inc. privately placed 6,000,000 shares of common stock at \$.1666 per share or a total of \$1,000,000. On the same date, in an offering to foreign investors, Netword, Inc. sold units consisting of 2,000,000 shares of common stock and warrants to purchase an additional 1,600,000 shares of common stock (at \$1.25 per share) for total consideration of \$2,000,000. Offering costs for the two offerings aggregated \$75,000.

On July 28, 1999 and August 5, 1999, Netword, Inc. privately placed

units consisting of 782,000 shares of common stock and warrants to purchase an additional 625,600 shares of common stock (at \$1.50 per share) for total consideration of \$977,500. Offering costs were approximately \$50,000. In connection with this placement, Network, Inc. issued warrants to purchase an additional 85,293 shares of common stock at \$1.50 per share as a finder's fee.

F-17

=====

NETWORK, INC.  
Common Stock  
6,784,733 shares

-----  
PROSPECTUS  
-----

September 10, 1999

=====

PART II  
INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 1. Indemnification of Directors and Officers.

Under our Certificate of Incorporation (the "Charter") and our Bylaws (the "Bylaws"), our directors and officers are entitled to be indemnified by us to the fullest extent permitted by Section 102(b)(7) of the Delaware General Corporation Law (the "DGCL"). Additionally, under the Charter and the Bylaws, our directors are not subject to personal liability for monetary damages resulting from a breach of fiduciary -duty or failure to exercise any applicable standard of care, except that our directors may be subject to personal liability for monetary damages in circumstances involving:

- o a breach of the duty of loyalty;
- o acts or omissions not in good faith which involve intentional misconduct or a knowing violation of law;
- o unlawful payments of dividends, stock purchases or redemptions under the DGCL; or
- o transactions from which the director derives an improper personal benefit.

ITEM 2. Other Expenses of Issuance and Distribution.

The following statement sets forth the estimated expenses payable in connection with this Registration Statement, all of which will be paid by us:

Registration Fee.....	\$1,650.40
Legal Fees and Expenses.....	\$75,000.00
Accountant's Fees and Expenses.....	\$20,000.00
Printing Costs.....	\$15,000.00
	-----
Total.....	\$111,650.40

Item 3. Undertakings.

(1) We hereby undertake to file, during any period in which securities included in this Registration Statement may be sold, a post-effective amendment to this Registration Statement to:

- (a) include any prospectus required by Section 10(a)(3) of the Securities Act;
- (b) reflect in the prospectus any facts or events which, individually or together,

II-1

represent a fundamental change in the information in the Registration Statement, and

(c) include any additional or changed material information on the plan of distribution.

(2) We also undertake to treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering, for the purposes of determining liability under the Securities Act.

(3) We also undertake to file a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(4) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the provisions described above, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by any of our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by any of our directors, officers or controlling persons in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether our indemnification is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Item 4. Unregistered Securities Issued or Sold Within One Year.

All of the persons who acquired our securities in the transactions described below (other than certain of them who are specifically named in this Item) are named in the table under Selling Stockholders in Part I of this Registration Statement.

(a) On February 18, 1999, Netword LLC merged into Netword, Inc. The sole purpose of the merger was to reorganize Netword LLC as a corporation. Prior to the merger, Netword, Inc. had no assets or business. Upon the merger, the outstanding units of membership interest in Netword LLC were cancelled and the holders of such units received, in exchange for each unit, (1) 247.518331 shares of common stock of Netword, Inc. and (2) warrants to purchase 88.333682 shares of common stock of Netword, Inc. at an exercise price of \$1.25 per share. In sum, in exchange for all of the interests in Netword LLC, Netword, Inc. issued a total of 8,923,924 shares of its common stock and warrants to purchase up to an aggregate of 3,184,733 additional shares of its common stock. The exchange ratio was determined arbitrarily by the managers of Netword LLC and the Board of Directors of Netword, Inc. The issuance of the shares and warrants in connection with the merger was made exclusively to prior investors on a pro rata basis and did not involve the receipt or payment of any new consideration; accordingly,

II-2

to the extent the transaction may be deemed to constitute a sale within the meaning of the Securities Act, it did not involve a public offering and was therefore exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act.

(b) As a result of the merger, options to purchase 9,229.14 units of Netword LLC previously issued to a total of 14 employees (including former employees) and managers of Netword LLC, all of whom were members of Netword LLC, were cancelled, and each person who held such an option was granted a new option under a newly adopted stock option plan of Netword, Inc. to purchase (1) 247.518331 shares of common stock of Netword, Inc. at an exercise price of \$0.1666 per share and (2) 88.333682 shares of common stock of Netword, Inc. at an exercise price of \$1.25 per share for each cancelled option to purchase one unit of Netword LLC. In sum, Netword, Inc. granted to these persons options to acquire a total of up to 2,284,374 shares of its common stock at an exercise price of \$0.1666 per share (of which options for 43,315 shares have since been terminated) and up to 815,239 shares of its common stock at an exercise price of \$1.25 per share (of which options for 15,458 shares have since been terminated). The ratio of new options to cancelled options was determined arbitrarily by the Board of Directors of Netword, Inc., but the new options were granted only to holders of cancelled options on a pro rata basis without payment or receipt of any additional consideration. Further, on March 15, 1999, additional options to purchase an aggregate of 1,406,250 shares of common stock of Netword, Inc. at an exercise price of \$1.25 per share were granted to two of our directors and one employee. These options expire on February 17, 2004. In September, 1999, additional options to purchase an aggregate of 108,773 shares of common stock of Netword, Inc. at an exercise price of \$1.50 per share were granted to one of our officers and a consultant. To the extent the grant of the new options may be deemed to constitute a sale within the meaning of the Securities Act, the grant did not involve a public offering and was therefore exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act. To the extent the persons to whom new options were granted were employees or consultants, such exemption was available pursuant to Rule 701 under the Securities Act.

The following option holders (each of whom was an employee or consultant at the time he or she was granted options) are not named in Part I of this Registration Statement: Amanda Howlett, Debbie Bostin, Erik Dove, Simon Janes, Stephen Williams, Thomas Sweeting and R.B. Rattey.

(c) On March 19, 1999, Netword, Inc. sold 6,000,000 shares of its common stock to 35 of its stockholders, 28 foreign investors and two other U.S. investors at a price of \$0.1666 per share for total consideration of \$1,000,000. All stockholders of Netword, Inc. were offered the opportunity to subscribe for shares in the offering on a pro rata basis. The sale price of the shares was determined arbitrarily by the Board of Directors of Netword, Inc. The sale of the shares was exempt from registration under the Securities Act pursuant to Rule 504 under the Securities Act.

The investors in this offering who are not named in Part I of this Registration Statement were: 679212 Albert Ltd., Christopher Morris, E. Ann Curry, Geoff Whitlam, International Pursuit Corporation, Irwin Singer, Jayvee & Co. Account 0002002, John McMahon, Joshua Rizack, Librion Group Inc., Marilia Costa, Melbourne Investments Ltd., Patstar Inc., Peter C.

II-3

Halsall, Pullen Family Holdings Inc. and Ross McMaster. Other than Mr. Rizack and Librion Group, Inc., all of these investors have represented to us that they are non-U.S. persons. Other than Mr. Rizack, who is a consultant to us, none of the investors is related to us other than as a securityholder.

(d) Also on March 19, 1999, Netword, Inc. sold 2,000,000 units comprising 2,000,000 shares of its common stock and warrants to purchase 1,600,000 shares of its common stock at an exercise price of \$1.25 per share for total consideration of \$2,000,000. The sale price of the units (\$1 per unit) was arbitrarily determined by the Board of Directors. The units were sold to non-U.S. persons (most of whom also purchased shares in the Rule 504 offering) in an offshore transaction that was exempt from registration under the Securities Act pursuant to Rule 903 of Regulation S under the Securities Act.

(e) On March 19, 1999, pursuant to an agreement negotiated by Netword LLC, Netword, Inc. issued warrants to purchase 150,000 shares of its common stock at an exercise price of \$0.1666 per share to Fulbright & Jaworski LLP in partial payment for legal services provided to Netword LLC. The issuance of the warrants did not involve a public offering and was therefore exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act.

(f) On April 1, 1999, in a negotiated transaction, Netword, Inc. issued its \$20,000 convertible note due March 31, 2001 to Kronish Lieb Weiner & Hellman LLP in partial payment for legal services provided to Netword, Inc. and Netword LLC. The note is convertible into common stock at \$1.00 per share. The issuance of the note did not involve a public offering and was therefore exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act.

(g) On May 1, 1999, in a negotiated transaction, Netword, Inc. issued warrants to purchase 22,500 shares of its common stock at an exercise price of \$0.1666 per share to Pryor, Cashman, Sherman & Flynn LLP in partial payment for legal services provided to Netword, Inc. The issuance of the warrants did not involve a public offering and was therefore exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act.

(h) In separate closings on July 28, 1999 and August 5, 1999, Netword, Inc. privately sold a total of 782,000 units comprising 782,000 shares of its common stock and warrants to purchase 625,600 shares of its common stock at an exercise price of \$1.50 per share for total consideration of \$977,500. The sale price of the units (\$1.25 per unit) was arbitrarily determined by the Board of Directors. The units were sold to a total of 14 persons, all of whom we believe are accredited investors within the meaning of Rule 501 under the Securities Act, and the sale was therefore exempt from registration under the Securities Act pursuant to Rule 506 under the Securities Act. In connection with this transaction, we issued warrants to acquire 85,293 shares of common stock at \$1.50 per share to David Segal as a finders fee. The issuance of warrants to David Segal did not involve a public offering and was therefore exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act.

The investors in this offering were: NorthStar Capital Partners LLC, Barington Capital

II-4

Group, Charlie Humber, Martin Lamb, Gregory Peck, Meister Brother Investments LP, G2 Investments, Andrew Davidoff, Double A. Ventures Ltd., Mr. E. Das, Richard J. McCreedy, David G. King, Jr., Murray M. Rubin and Francisco J. Gonzalez-Paez. Other than (i) NorthStar Capital Partners LLC, of which W. Edward Scheetz, who has agreed to become a director subject to our obtaining directors and officers liability insurance, is a 50% owner, and (ii) Mr. Rubin, who is our Chief Financial and Accounting Officer and Treasurer, none of these investors is related to us other than as a securityholder.

(i) In July, 1999, Netword, Inc. agreed to issue warrants to purchase 336,000 shares of its common stock at an exercise price of \$1.50 per share to NorthStar Capital Partners LLC, of which W. Edward Scheetz is a 50% partner, upon Mr. Scheetz's election to the Board of Directors of Netword, Inc. Mr. Scheetz has agreed to become a director subject to our obtaining directors and officers liability insurance. To the extent the issuance of the warrants may be deemed to constitute a sale within the meaning of the Securities Act, such sale will be exempt from registration under the Securities Act pursuant to Section 4(2) of the Securities Act.

Item 5. Index to Exhibits.

Number	Exhibit	Page
2.1	Certificate of Incorporation of Netword, Inc.	
2.2	Bylaws of Netword, Inc.	

- 2.3 Certificate of Merger between Network LLC and Network, Inc. dated February 18, 1999.
- 2.4 Agreement and Plan of Merger between Network, LLC and Network, Inc. dated February 18, 1999.
- 3.1 Form of Warrant issued to members of Network LLC in connection with the merger of Network, LLC and Network, Inc.
- 3.2 Form of Subscription Agreements executed in connection with the Rule 504 sale of 6,000,000 shares of common stock consummated on March 19, 1999.
- 3.3 Form of Subscription Agreement executed in connection with the Regulation S sale of 2,000,000 units consummated on March 19, 1999.
- 3.4 Form of Warrant issued to purchasers in the Regulation S offering.
- 3.5 Warrant dated March 19, 1999 issued to Fulbright & Jaworski LLP.

II-5

- 3.6 Convertible note dated April 1, 1999 issued to Kronish Lieb Weiner & Hellman LLP.
- 3.7 Warrant dated May 1, 1999 issued to Pryor, Cashman, Sherman & Flynn LLP.
- 3.8 Form of Subscription Agreement executed in connection with the Rule 506 sale of 782,000 units consummated on July 28, 1999 and August 5, 1999.
- 3.9 Form of warrant issued to purchasers in the Rule 506 offering, to David Segal and to be issued to NorthStar Capital Partners LLC upon the election of W. Edward Scheetz to the board of directors of Network, Inc.
- 3.10 Stock option plan of Network, Inc.
- 3.11 Form of award letter for optionees.
- 6.1 Contract regarding assignment of trademarks and trade names "Network" and "Network, Inc."
- 10.1 Consent of Mahoney Cohen & Company, CPA, P.C.
- 10.2 Consent of Kronish Lieb Weiner & Hellman LLP is contained in their opinion filed as Exhibit 11.1
- 11.1 Opinion of Kronish Lieb Weiner & Hellman LLP.
- 12.1 Consent of W. Edward Scheetz to be filed by amendment to this Registration Statement.

II-6

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-1 and authorized this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on September 10, 1999.

NETWORK, INC.  
(Registrant)

By: /s/ Michael L. Wise  
-----  
Name: Michael L. Wise  
Title: President and Chief Executive Officer

In accordance with the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on September 10, 1999.

<TABLE> <CAPTION> Signature -----	Title -----	Date ----
<S> /s/ Michael L. Wise ----- Michael L. Wise	<C> President and Chief Executive Officer, Director	<C> September 10, 1999
/s/ Murray M. Rubin -----	Chief Financial and Accounting Officer, Treasurer	September 10, 1999

Murray M. Rubin

/s/ Kent M. Klineman

-----

Kent M. Klineman

</TABLE>

Secretary, Director

September 10, 1999

Certificate of Incorporation  
of  
Netword, Inc.

FIRST: The name of the corporation is Netword, Inc. (hereinafter referred to as the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 15 East North Street in the City of Dover, County of Kent. The name of its registered agent at that address is United Corporate Services, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware as set forth in Title 8 of the Delaware Code (the "DGCL").

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 40,010,000 shares, of which (i) 40,000,000 shares shall be classified as Common Stock, \$.01 par value per share ("Common Stock"); and (ii) 10,000 shares shall be classified as Preferred Stock, \$.01 par value per share ("Preferred Stock").

The following is a statement of the designations, preferences and relative participating or other special rights, and the limitations or restrictions, if any, in respect of each class of capital stock of the Corporation.

-1-

A. COMMON STOCK.

1. General. The voting, dividend and liquidation rights of the holders of Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors of the Corporation (the "Board") upon any issuance of the Preferred Stock of any series.

2. Voting. The holders of the Common Stock are entitled to one vote for each share held at all meetings of stockholders. There shall be no cumulative voting.

3. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as, when and if determined by the Board and subject to any preferential or participating dividend rights of any then outstanding Preferred Stock.

4. Liquidation. Upon the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential or participating rights of any then outstanding Preferred Stock.

B. PREFERRED STOCK.

The Preferred Stock may be issued in one or more series. The number, designation and all of the powers,

-2-

preferences and rights and the qualifications, limitations or restrictions of the shares of any series of Preferred Stock may be fixed by the Board as provided in Section 151 of the DGCL. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly so provided.

FIFTH: The name and mailing address of the Sole Incorporator is as follows:

Name	Mailing Address
Michelle R. Noch	c/o Kronish Lieb Weiner & Hellman LLP 1114 Avenue of the Americas New York, New York 10036

SIXTH: The following persons shall be the initial directors of the Corporation to serve until the first annual meeting or until their respective successors shall be duly elected and qualified or until a director's earlier resignation or removal:

Name	Title
Michael Wise	Chairman of the Board of Directors
James Karanfilian	Director
Kent M. Klineman	Secretary

SEVENTH: The Corporation shall to the fullest extent permitted by Section 145 of the DGCL, as amended from time to time, indemnify all persons whom it may indemnify pursuant

-3-

thereto. Directors of the Corporation shall have no personal liability for monetary damages for breach of a fiduciary duty, or failure to exercise any applicable standard of care, of a director to the fullest extent permitted by Section 102(b)(7) of the DGCL.

EIGHTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of section 291 of the DGCL or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of the DGCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the

-4-

said compromise or arrangement and the said reorganization shall, if sanctified by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

NINTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by law, and all rights and powers conferred upon stockholders, directors and officers are subject to this

reservation.

TENTH: The Board is expressly authorized (by action taken by a majority of the Board) to make, alter, amend or repeal the Bylaws of the Corporation in a manner not inconsistent with the laws of the State of Delaware or this Certificate of Incorporation, subject to the power of the stockholders of the Corporation having voting power to alter, amend or repeal the Bylaws of the Corporation.

-5-

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the DGCL, does make this Certificate, hereby declaring and certifying, under penalties of perjury, as provided in Section 103(b)(2) of the DGCL, that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 2nd day of February, 1999.

/s/Michelle R. Noch

-----  
Michelle R. Noch  
Sole Incorporator

BYLAWS  
OF  
NETWORD, INC.

(hereinafter called the "Corporation")

ARTICLE I

OFFICES

-----

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Dover, County of Kent, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETING OF STOCKHOLDERS

-----

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting. Written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, Special Meetings of Stockholders, for any purpose or purposes, may be called by either (i) the Chairman, if there be one, or (ii) the President, (iii) any Vice-President, if there be one (iv) the Secretary, or (vi) any Assistant Secretary, if there be one, and shall be

called by any such officer at the request in writing of a majority of the Board of Directors or at the request in writing of stockholders owning a majority of the capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. Written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor

1

more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. Only business within the purpose or purposes described in the notice (or waiver thereof) required by these bylaws may be conducted at a special meeting of the stockholders.

Section 4. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 6. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required or permitted to be taken at any Annual or Special Meeting of Stockholders of the Corporation, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum

number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking

of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 7. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 8. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stock holders entitled to examine the stock ledger, the list required by Section 7 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

### ARTICLE III

#### DIRECTORS

-----

Section 1. Number and Election of Directors. The Board of Directors shall initially be set at three and thereafter fixed from time to time by the Board of Directors. Except as provided in Section 2 of this Article, directors shall be elected by a plurality of the votes cast at Annual Meetings of Stockholders, and each director so elected shall hold office until the next Annual Meeting and until his successor is duly elected and qualified, or until his earlier resignation or removal. Any director may resign at any time upon notice to the Corporation. Directors need not be stockholders.

Section 2. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the director of directors so chosen shall hold office until the next annual election and until their successors are

duly elected and qualified, or until their earlier resignation or removal.

Section 3. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by

3

statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, the President, or any single director. Notice thereof stating the place, date and hour of the meetings shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 5. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 6. Actions of Board. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 7. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 shall

constitute presence in person at such meeting.

Section 8. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of

4

Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 9. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like reimbursement of expenses for attending committee meetings.

Section 10. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or their committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to

the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

#### ARTICLE IV

##### OFFICERS

-----

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chief Executive Officer, President, Chief Operating Officer, Chief Technology Officer, Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director) and one or more Executive Vice-Presidents, Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these Bylaws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may,

by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors. He shall possess the same power as the Chief Executive Officer or President, if there be one, to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors, except where by law the signature of the Chief Executive Officer or President, if there be one, is required. During the absence or disability of the Chief Executive Officer or President, if there be one, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the Chief Executive Officer or President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by the Board of Directors.

Section 5. President and Chief Executive Officer. The President and Chief Executive Officer shall be subject to the control of the Board of Directors and shall have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these Bylaws, the Board of Directors or the Chief Executive Officer or the President, if there be one. In the absence or disability of the Chairman of the Board of Directors, the Chief Executive Officer or the President, if there be one, shall preside at all meetings of the stockholders and the Board of Directors. The Chief Executive Officer or President, if there be one, shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these Bylaws or by the Board of Directors.

Section 6. Chief Operating Officer, Vice-Presidents and Executive Vice-Presidents. At the request of the Chief Executive Officer or President, if there be one, or in his absence or in the event of his inability or refusal to act, and if there be no Chairman of the Board of Directors, the Chief Operating Officer, the Executive Vice-President or Executive Vice-Presidents, if any, or the Vice-President or the Vice-Presidents, if any, in the order designated by the Board of Directors, shall perform the duties of the Chief Executive Officer or President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer or President. The Chief Operating Officer and

each Executive Vice-President or Vice-President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Chief Operating Officer, Executive Vice-President or Vice-President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the Chief Executive Officer or President, if there be one, or in the event of the inability or refusal of the Chief Executive Officer or President to act, shall perform the duties of the Chief Executive Officer or President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer or President.

Section 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Chief Executive Officer or President, if there be one, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chief Executive Officer or the President, if there be one, may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 8. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer or the President, if there be one,

and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of

the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 9. Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer or the President, if there be one, any Vice-President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer or the President, if there be one, any Vice-President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 11. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

## ARTICLE V

### STOCK

-----

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman or vice-chairman of the Board of Directors, or the President or vice president, and (ii) by the Treasurer or an Assistant

Treasurer, if there be one, or the Secretary or an Assistant Secretary, if there be one, of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2. Signatures. Any or all the signatures of the appropriate officers of the Corporation on a certificate may be a facsimile. Where a certificate is countersigned by (i) a transfer agent other than the Corporation or its employee, or (ii) a registrar other than the Corporation or its employee, such signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.

Section 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend

or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall be not less than ten nor more than sixty days before the date of such meeting. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment

of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares of the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

## ARTICLE VI

### NOTICES

-----

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

## ARTICLE VII

### GENERAL PROVISIONS

-----

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be

paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation lawfully available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or

maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

INDEMNIFICATION AND DIRECTORS' LIABILITY  
-----

Section 1. Indemnification of Directors and Officers. The Corporation shall be required, to the fullest extent authorized by Section 145 of the Delaware General Corporation Law (the "DGCL"), as the same may be amended and supplemented, to indemnify all persons whom it may indemnify pursuant thereto.

Section 2. Limitation on Liability of Directors. The personal liability of each of the directors of the Corporation shall be limited to the fullest extent permitted by paragraph 7 of subsection (b) of Section 102 of the DGCL, as the same may be amended and supplemented.

ARTICLE IX

AMENDMENTS  
-----

Section 1. These Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted by the stockholders or by the Board of Directors, provided, however, that notice of such alteration, amendment, repeal or adoption of new Bylaws be contained in the notice of such meeting of stockholders or Board of Directors, as the case may be. All such amendments must be approved by either the holders of a majority of the outstanding capital stock entitled to vote thereon or by a majority of the entire Board of Directors then in office.

Section 2. Entire Board of Directors. As used in this Article

IX and in these Bylaws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

CERTIFICATE OF MERGER

OF

NETWORD LLC  
(a Delaware limited liability company)

INTO

NETWORD, INC.  
(a Delaware Corporation)

Pursuant to Section 264 of the  
Delaware General Corporation Law ("DGCL")

The undersigned corporation, being the surviving constituent entity, hereby certifies:

FIRST: The name of the surviving constituent entity is Netword, Inc. Its state of incorporation is Delaware. The name of the non-surviving constituent entity is Netword LLC. Its state of formation is Delaware.

SECOND: An Agreement and Plan of Merger, dated as of February 16, 1999, between Netword LLC and Netword, Inc. has been approved, adopted, certified, executed and acknowledged by each of the constituent entities in accordance with the requirements of Section 264(c) of the DGCL.

THIRD: Netword, Inc. shall continue as the surviving corporation.

FOURTH: The Certificate of Incorporation of Netword, Inc. shall be the Certificate of Incorporation of the surviving constituent entity without change or amendment, until further

amended in accordance with the provisions thereof and applicable law.

FIFTH: The executed Agreement of Merger is on file at the principal place of business of the surviving constituent entity. The address of the principal place of business of the surviving constituent entity is: 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877.

SIXTH: A copy of the Agreement of Merger will be furnished by the surviving constituent entity, upon request and without cost, to any stockholder of any constituent corporation or any member of any constituent limited liability company.

IN WITNESS WHEREOF, Network, Inc. has caused this Certificate of Merger to be executed in its name and on its behalf and affirms that the statements made herein are true under the penalties of perjury, this 16th day of February 1999.

NETWORK, INC.  
(a Delaware corporation)

By: /s/ Michael Wise

-----  
Michael Wise, President

## AGREEMENT OF MERGER

AGREEMENT OF MERGER (the "Agreement") dated February 16, 1999 by and between NETWORD, INC., a Delaware corporation ("Surviving Corporation"), and NETWORD LLC, a Delaware limited liability company ("Disappearing LLC").

This Agreement provides for the merger of Disappearing LLC with and into Surviving Corporation (the "Merger").

Surviving Corporation was incorporated in the State of Delaware on February 2, 1999. Its total authorized capital stock is 40,010,000 shares of which 40,000,000 shares are classified as common stock, \$.01 par value (the "Common Stock") and 10,000 shares are classified as preferred stock, \$.01 par value. None of such authorized shares have been issued.

Disappearing LLC was formed pursuant to the laws of the state of Delaware on November 15, 1996. A total of 36,053.69 Units representing membership interests in Disappearing LLC are issued and outstanding, each of which was entitled to vote on the Merger. Additionally, Disappearing LLC has issued and outstanding options pursuant to which the holders have rights to purchase an aggregate of 9,229.15 additional such Units of Disappearing LLC.

The Board of Directors of Surviving Corporation (the "Board") has determined that the Merger is advisable and in the best interests of Surviving Corporation, and members of Disappearing LLC holding a majority of the outstanding Units of Disappearing LLC (the "Members") and a majority of the managers of Disappearing LLC (the "Managers") have determined that the Merger is advisable and in the best interests of Disappearing LLC.

It is, therefore, agreed as follows:

1. On the date on which a certificate of merger with respect to the Merger is filed with the Secretary of State of Delaware (the "Effective Date"), Disappearing LLC shall be merged into Surviving Corporation and the separate existence of Disappearing LLC shall cease. Surviving Corporation shall be the

surviving entity, under its present name, and shall continue to be governed by the laws of the State of Delaware. The time of filing such certificate is herein referred to as the "Effective Time."

2. The Certificate of Incorporation of Surviving Corporation in effect at the Effective Time shall continue as the Certificate of Incorporation of the surviving entity. The Bylaws of Surviving Corporation in effect at the Effective Time shall continue as the Bylaws of the surviving entity. The officers and directors of Surviving Corporation in office at the Effective Time shall continue to hold their respective positions until their successors shall have been duly elected and qualified or until their earlier resignation or removal.

3. (a) At the Effective Time, each outstanding Unit of Disappearing LLC shall cease to be outstanding and shall be converted into, and the holder thereof shall be entitled to receive, in exchange for such Unit, (i) 247 shares of Common Stock of Surviving Corporation and (ii) warrants (each, a "Warrant") substantially in the form of Exhibit A hereto to purchase 88 shares of Common Stock of Surviving Corporation (the "Warrant Shares") at an exercise price of \$1.25 per share. The Warrants shall expire on the fifth anniversary of the Effective Date, subject to prior redemption by Surviving Corporation upon the occurrence of certain events.

(b) At the Effective Time, each outstanding option to purchase Units of Disappearing LLC shall be canceled and cease to be outstanding. Promptly after the Effective Time, Surviving Corporation shall grant new options to purchase shares of Common Stock of Surviving Corporation to the holders of such canceled options, in such quantities and ratios that each holder of a canceled option to purchase one Unit shall receive new options to purchase (i) 247 shares of Common Stock of Surviving Corporation at an exercise price of \$0.1666 per share ("A Options") and (ii) 88 shares of Common Stock of Surviving Corporation at an exercise price of \$1.25 per share ("B Options"). All such new options shall be issued pursuant to an incentive plan of Surviving Corporation authorized by the Board and approved by the stockholders of Surviving Corporation, shall be non-assignable or transferable except by will or pursuant to the laws of descent and distribution and shall be immediately exercisable. All A Options shall expire on the third anniversary of the Effective Date, and all B Options shall expire on the fifth anniversary of the Effective Date.

4. (a) As soon as practicable after the Effective Time, each holder of a certificate or certificates which prior thereto represented issued and outstanding Units of Disappearing LLC shall be entitled to surrender such certificate(s) to the Secretary of Surviving Corporation at the principal office of Surviving Corporation, at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877, and shall receive in exchange therefor one or more certificates representing the number of shares of Surviving Corporation Common Stock and the Warrants into which his or her Units shall have been converted by virtue of the Merger. From and after the Effective Time, certificates evidencing Units of

Disappearing LLC shall evidence only the rights to receive shares of Common Stock and Warrants in exchange therefor as provided in the preceding sentence, and the registered holders of canceled Units shall be deemed to be holders of shares of Common Stock and Warrants whether or not such certificates shall have been surrendered.

All stock certificates for shares of Common Stock and Warrants shall bear a legend stating, as the case may be, that the shares of Common Stock or the Warrant and the related Warrant Shares evidenced thereby have not been registered under the Securities Act of 1933, as amended, (the "Securities Act") or under any state securities laws, and that such shares of Common Stock, the Warrant and the Warrant Shares may not be transferred until (i) a registration statement with respect thereto is effective under the Securities Act and applicable state securities laws, or (ii) the Company receives an opinion of counsel to the Company or other counsel reasonably satisfactory to the Company that such securities may be transferred without such registration.

(b) As soon as practicable after the Effective Time, each person who prior to the Effective Time held an option to purchase a Unit of Disappearing LLC shall receive an award letter evidencing the grant of new options to such person as provided in Section 3(b) hereof.

5. This Agreement and the Merger may be abandoned or terminated prior to the filing of the certificate of merger with the Secretary of the State Delaware by resolution duly adopted by the Board, the Members and the Manager.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

NETWORK, INC.

By: /s/ Michael Wise  
-----  
Michael Wise, President

NETWORK LLC

By:/s/ Michael Wise

-----  
Michael Wise, Manager

Netword, Inc.  
Secretary's Certificate

The undersigned, Kent Klineman, Secretary of Netword, Inc., a Delaware corporation and one of the constituent entities mentioned in the foregoing Agreement of Merger (the "Agreement"), certifies that (i) the Agreement has been adopted by the unanimous written consent of the Board of Directors of Netword, Inc. in accordance with Sections 264 and 251 of the Delaware General Corporation Law ("DGCL") and (ii) pursuant to ss.251(f) of the DGCL, no stockholder approval was required since no shares of Netword, Inc. were issued prior to adoption of the Agreement by the Board of Directors.

Dated: February 16, 1999

/s/ Kent M. Klineman

-----  
Secretary of Netword, Inc.

Netword LLC  
Manager's Certificate

The undersigned, Michael Wise, Manager of Netword LLC, a Delaware limited liability Company and one of the constituent entities mentioned in the foregoing Agreement of Merger (the "Agreement"), certifies that the Agreement has been adopted by the written consent of members of Netword LLC holding a majority of the outstanding voting membership interests of Netword LLC and a majority of the managers of Netword LLC, in accordance with the provisions of the limited liability company agreement of Netword LLC and the Delaware Limited Liability Company Act.

Dated: February 16, 1999

/s/ Michael Wise

-----  
Manager of Network LLC

EXHIBIT A

See Exhibit 3.1 to this Registration Statement.

SERIES A-1 WARRANT NO. \_\_\_\_\_  
\_\_\_\_\_ SHARES

THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE RULES AND REGULATIONS PROMULGATED THEREUNDER, OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE PLEDGED, SOLD, ASSIGNED, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS (i) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR (ii) THE COMPANY RECEIVES AN OPINION OF ITS COUNSEL OR OTHER COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH WARRANT OR SHARES MAY BE DISPOSED OF WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

WARRANT, dated as of February 18, 1999, issued by NETWORK, INC., a Delaware corporation (the "Company") with principal offices at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877-2606, Attn: President, to \_\_\_\_\_ (the "Holder").

The Company hereby agrees as follows:

1. Grant. The Company hereby grants to the Holder, the right, privilege and option to purchase from the Company \_\_\_\_\_ shares (the "Warrant Shares") of the Company's common stock, par value \$.01 per share ("Common Stock"), subject to adjustment as provided in Section 6 hereof, at the exercise price of \$1.25 per share (the "Exercise Price"), all subject to the terms and upon the conditions set forth herein.

2. Exercise of Warrant. This Warrant is exercisable commencing on the date hereof until 5:00 p.m., N.Y. time, on February 17, 2004 (the "Expiration Date"), subject to the right of the Company to redeem this Warrant as described in Section 3 hereof. This Warrant shall expire and all rights of the Holder will terminate upon the Expiration Date.

3. Method of Exercise and Redemption of Warrant. Subject to the redemption of this Warrant by the Company as provided in this Section 3, the Holder may exercise this Warrant at or prior to the close of business on the Expiration Date. This Warrant may be exercised by the Holder or redeemed by the Company as follows:

(a) Subject to compliance with the provisions of Section 5 hereof, this Warrant may be exercised in whole at any time, or in part from time to time, by delivery of this

Warrant to the Company at its principal place of business, accompanied by a check payable to the Company in payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised.

(b) Upon clearance of the check delivered pursuant to Section 3(a) hereof, the Company shall make immediate delivery of the Warrant Shares as to which this Warrant is being exercised, provided that if any law or regulation requires the Company to take any action with respect to such Warrant Shares before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action. In case of the purchase of less than all the shares purchasable under this Warrant, the Company shall cancel this Warrant upon surrender hereof and shall execute and deliver to the Holder a new Warrant of like tenor and date for the balance of the Warrant Shares.

(c) In the event that a registration statement shall become effective under the Securities Act of 1933, as amended (the "Securities Act") covering the purchase and/or resale of the Warrant Shares, then the Company may, at its option, redeem this Warrant as to all or any of the Warrant Shares, at a price of \$0.05 per Warrant Share (the "Redemption Price"), at any time after the first date on which the average of the closing bid prices for the shares of the Company's Common Stock in any inter-dealer quotation system on which the Common Stock has been the subject of both bid and ask quotations shall have exceeded \$2.50 per share on any 10 consecutive trading days that commenced on or after the effective date of such registration statement. From and after the date fixed for redemption by notice given pursuant to Section 3(d) hereof (the "Redemption Date"), the right to purchase Warrant Shares with respect to the redeemed portion of this Warrant shall cease, and the Holder shall be entitled to payment of the Redemption Price with respect to the portion of this Warrant so redeemed (and to receive a new Warrant of like tenor and date with respect to the unredeemed portion of this Warrant) upon surrender of this Warrant to the Company.

(d) Notice of redemption of this Warrant shall be given at least 30 days prior to the Redemption Date by mailing, by registered or certified mail, return receipt requested, a copy of such notice to the Holder at its address appearing on the books or transfer records of the Company or such other address as may be designated by the Holder by notice to the Company. Notwithstanding the giving of such notice, the Holder shall be entitled to exercise this Warrant at any time prior to the Redemption Date.

4. Payment of Taxes. (a) The Company shall pay all documentary stamp taxes attributable to the issuance of Warrant Shares upon the exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any Warrants, warrant certificates or certificates for Warrant Shares purchased pursuant hereto in a name other than that of the Holder, and the Company shall not be required to issue or deliver such Warrants, warrant

certificates or other certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

2

(b) The Company's obligation to deliver Warrant Shares upon the exercise of this Warrant or any portion thereof shall be subject to the payment by the Holder of any applicable federal, state and local withholding tax. The Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Holder any federal, state or local taxes required to be withheld with respect to such payment.

5. Restriction on Transfer and Exercise of Warrant. The Holder hereof, by the Holder's acceptance hereof, hereby represents and warrants to, and agrees with, the Company that the Holder has been informed that neither this Warrant nor the Warrant Shares have been registered for sale under any federal or state securities laws and that this Warrant is being offered and sold to the Holder and, upon the exercise of this Warrant, the Warrant Shares will be sold to the Holder, pursuant to an exemption from registration under the Securities Act; Holder is acquiring this Warrant and will acquire the Warrant Shares for Holder's own account for investment only and not with a view to the resale or distribution thereof; this Warrant is not assignable or transferable otherwise than by will or the laws of descent and distribution, and this Warrant may be exercised during the Holder's lifetime only by the Holder; any attempt to assign or transfer this Warrant in contravention of this Section 5 shall be void ab initio; the Warrant Shares may not be sold, transferred, assigned, hypothecated or otherwise disposed of, in whole or in part, unless registered under the Securities Act and applicable state securities laws or unless an exemption from such registrations is available; and that prior to the exercise of this Warrant, Holder shall provide to the Company in writing such information as the Company may reasonably request to establish that the exercise of this Warrant by Holder is exempt from registration under such securities laws.

6. Anti-Dilution Provisions. (a) In case the Company shall (i) declare or pay a dividend on its outstanding shares of Common Stock in shares of Common Stock or make a distribution to all holders of its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its outstanding shares of Common Stock other securities of the Company (including any such reclassification in connection with a consolidation, merger or other business combination in which the Company is the surviving corporation), the number and kind of Warrant Shares purchasable upon exercise of this Warrant shall be adjusted so that Holder upon

exercise hereof shall be entitled to receive the number and kind of Warrant Shares or other securities of the Company that the Holder would have owned or have been entitled to receive after the occurrence of any of the events described above had this Warrant been exercised immediately prior to the occurrence of such event or any record date with respect thereto. An adjustment made pursuant to this Section 6(a) shall become effective on the date of the dividend payment, distribution, subdivision, combination or reclassification issuance retroactive to the record date with respect thereto, if any, for such event. Adjustment by reason of this Section 6(a) shall be made successively whenever such an event occurs.

(b) In case of any consolidation of the Company with, or merger of the Company into, another person (whether or not the Company is the surviving corporation), or in the case of any sale, transfer or lease to another person of all or substantially all of the assets of the Company,

3

the Company or such successor, as the case may be, shall deliver to Holder an undertaking that Holder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such transaction to purchase upon exercise of this Warrant the kind and amount of securities, cash and property which Holder would have owned or have been entitled to receive after the consummation of such consolidation, merger, sale, transfer or lease had this Warrant been exercised immediately prior to such transaction, and if the successor or purchaser is not a corporation, such person shall provide appropriate tax indemnification with respect to such shares and other securities and property so that, upon exercise of this Warrant, Holder thereof would have the same benefits he otherwise would have had if such successor or purchaser person were a corporation. The provisions of this Section 6(b) shall similarly apply to successive consolidations, mergers, sales, transfers or leases.

7. Elimination of Fractional Shares. The Company shall not be required to issue certificates representing fractional shares of Common Stock upon the exercise of this Warrant, nor shall it be required to issue scrip or pay cash in lieu of fractional shares, it being the intent of the parties that all fractional shares shall be eliminated by the Company by rounding down to the nearest whole number of shares of Common Stock.

8. Reservation of Securities. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon the exercise of this Warrant, such number of shares of Common Stock as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of this Warrant for and payment of the exercise price therefor, all Warrant Shares issuable upon such exercise shall be duly authorized, validly issued, fully paid, nonassessable and not subject to preemptive rights of any shareholder.

9. Notices to Warrant Holder. Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive notice as a shareholder in respect of any meetings of shareholders for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If the Company shall propose to engage in any transaction with respect to which adjustment of the Exercise Price or the kind or amount of securities, property or other assets receivable upon exercise of this Warrant would be required pursuant to Section 6, the Company shall cause to be mailed to the Holder, at least 10 days prior to the applicable date hereinafter specified, a notice describing such transaction and stating (a) in the case of any dividend, distribution or grant of rights or warrants to all holders of shares of Common Stock, the date on which a record is to be taken for such purpose or, if a record is not to be so taken, the date as of which the holders of Common Stock of record to be entitled thereto are to be determined, (b) in the case of any other transaction described in Section 6 in which all holders of Common Stock of record are entitled to participate, the date on which such transaction is expected to become effective and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, property or other assets deliverable upon such transaction, and (c) in the case of any other transaction, the date on which it is expected to occur or become effective. Failure to give such notice or any defect therein shall not affect the validity of any action taken or transaction consummated by the Company.

4

10. Notices.

All notices, requests, consents and other communications hereunder shall be effective only if given in writing and shall be deemed to have been duly made or given when delivered, or three days after being mailed by registered or certified mail, return receipt requested:

(a) If to the Holder, to the address of the Holder as shown on the books of the Company or as otherwise designated or provided for herein; or

(b) If to the Company, to the address set forth on the first page of this Warrant or to such other address as the Company may designate by notice to the Holder.

11. Amendment. This Warrant may not be amended or supplemented except by an instrument in writing executed by the Company and the Holder.

12. Governing Law. This Warrant shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall

be construed in accordance with the laws of such State (without regard to the conflicts of law principles thereof).

13. Jurisdiction. Any legal action or proceeding with respect to the interpretation or enforcement of this Warrant may be brought exclusively in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by acceptance of this Warrant, the Holder accepts for itself and in respect of its property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts with respect to such matters. By acceptance of this Warrant, the Holder waives and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Warrant, that the Holder is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that this Warrant may not be enforced in or by said courts or that the Holder's property is exempt or immune from execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or (provided that process shall be served in any manner referred to in the following sentence) that service of process upon the Holder is ineffective. Service of process in any such action, suit or proceeding may be made upon the Company or the Holder in any manner permitted by the laws of the State of New York or the federal laws of the United States or as follows: (i) by personal service or (ii) by certified or registered mail to the Holder or the Company, as applicable, at its address for notice pursuant to Section 10. Service of process upon the Holder or the Company in any manner referred to in the preceding sentence shall be deemed in every respect effective service of process upon the Holder or the Company.

14. Benefits of This Warrant. Nothing in this Warrant shall be construed to give to any person other than the Company and the Holder any legal or equitable right, remedy or claim under this Warrant; and this Warrant shall be for the sole and exclusive benefit of the Company and the Holder.

5

15. Headings. The headings in this Warrant are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of the day and year first above written.

NETWORK, INC.

By: \_\_\_\_\_

Name: Shep Bostin  
Title: Chief Operating Officer and  
Vice President of Marketing

Shareholder Designee

## SUBSCRIPTION AGREEMENT

Netword, Inc.  
702 Russell Avenue  
Third Floor  
Gaithersburg, Maryland 20877

Ladies and Gentlemen:

1. Subscription. (a) The undersigned (the "Subscriber") hereby subscribes to purchase shares of common stock ("Common Stock"), par value \$.01, of Netword, Inc., a Delaware corporation (the "Company"), at the purchase price of \$0.1666 per share. The number of such shares subscribed for (the "Shares") is set forth below Subscriber's signature on the signature page hereof. Subscriber herewith delivers to the Company Subscriber's check or other payment (the "Payment") for the Shares in the amount equal to the product of \$0.1666 multiplied by the number of Shares.

(b) By checking the box indicated on the signature page hereof, Subscriber elects to purchase Subscriber's allocable share (based upon the percentage ownership by Subscriber of the outstanding shares of Common Stock of the Company prior to the completion of the Offering referred to in the Company's Confidential Private Offering Memorandum, dated February 15, 1999 (the "Memorandum")) of any portion of 1,500,000 shares of Common Stock that is not subscribed for by other Shareholder Designees (as defined in the Memorandum). If Subscriber does check such box, the subscription made hereby will extend to an additional number of shares of Common Stock (not exceeding 25% of the number of Shares initially subscribed for hereby) of which Subscriber will be notified prior to the Closing. Upon such notice, Subscriber will promptly remit the additional payment required to purchase such additional shares of Common Stock.

2. Representations, Warranties and Covenants of the Subscriber. The Subscriber hereby represents and warrants to the Company that:

2.1 The Subscriber is a stockholder of the Company.

2.2 The Subscriber has received and has fully read and considered the Memorandum, including, without limitation, the material set forth under "Risk Factors." The Subscriber confirms that, except as set forth in the Memorandum, no representations or warranties have been made to the Subscriber by the Company or its officers and directors, or any agent, employee or affiliate of any of them, and that in entering into this transaction the Subscriber is not relying upon information regarding the Company other than that contained in the Memorandum.

2.3 The Subscriber is aware that the purchase of the Shares is a speculative investment involving a high degree of risk and that there is no guarantee that the Subscriber will recover its investment in the Shares or realize any gain from such investment.

2.4 The Subscriber (a) has sufficient liquid assets to pay the full purchase price for the Shares, (b) has adequate means of providing for the Subscriber's current and presently foreseeable future needs and possible personal contingencies, (c) has no present need for liquidity of the Subscriber's investment in the Shares, and (d) is able to bear the economic risks of the investment in the Shares (i.e., the Subscriber can afford a complete loss).

3. Miscellaneous

3.1 All notices or other communications given or made hereunder shall be in writing and shall be delivered by hand or mailed by registered or certified mail, return receipt requested, postage prepaid, if to

the Subscriber, at the address set forth below the Subscriber's signature on the signature page hereof, and if to the Company at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877, Attention: President, with a copy to Kronish Lieb Weiner & Hellman LLP, 1114 Avenue of the Americas, New York, New York 10036, Attention: Russell Berman, Esq.

3.2 This Subscription Agreement shall be governed by and construed in accordance with the laws of the state of New York applicable to contracts made and wholly performed in that state and without regard to the principles of conflicts of laws.

3.3 This Subscription Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof. All understandings and agreements heretofore had between the parties with respect to the subject matter hereof are merged in this Subscription Agreement, which fully and completely expresses their agreement.

3.4 This Subscription Agreement may not be changed, modified, extended, terminated or discharged orally, but only by an agreement in writing.

3.5 This Subscription Agreement is not transferable or assignable by the Subscriber. The Subscriber agrees that the Shares acquired pursuant hereto shall be transferred only in accordance with applicable federal and state laws.

3.6 All references in this Subscription Agreement to the "Subscriber" shall include all parties (other than the Company) who execute this Subscription Agreement. If the Subscriber is a corporation, partnership, trust or two or more individuals purchasing jointly, the Subscriber shall follow the specific instructions for the Certificate of Corporate, Partnership, Trust and Joint Purchases at page 5 hereof.

4. Lock-Up. Subscriber agrees not to offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offering of 44% of the Shares

2

purchased pursuant to the subscription made hereby (the "Lock-up Shares") for a period of 180 days following the day on which the Company accepts the subscription, except with the prior written consent of the Board of Directors (the "Board") of the Company; provided, however, that the Subscriber may (i) distribute, transfer or otherwise dispose of the Lock-up Shares to any affiliate, associate, employee or partner of the Subscriber or (ii) grant a bona fide gift of the Lock-up Shares to any other person, without the consent of the Board, but only if the person acquiring the Lock-up Shares, at the time of such acquisition, enters into an agreement enforceable by the Company, pursuant to which such person is bound by the restrictions set forth in this paragraph 4. The certificates evidencing the Lock-up Shares will bear a legend to the foregoing effect.

5. Acceptance of Subscription. Subscriber acknowledges that the subscription made hereby is not binding upon the Company until the Company accepts it. The Company has the right to accept or reject this subscription in whole or in part in its sole and absolute discretion. If this subscription is rejected in whole, the Company shall return the Payment to the Subscriber, without interest, and the Company and Subscriber shall have no further obligation to each other hereunder. In the event of a partial rejection of this subscription, a proportionate amount of the Payment will be returned to the Subscriber, without interest.

6. Counterparts. This Subscription Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7. Severability. If any provision of this Subscription Agreement shall be declared void or unenforceable by any judicial or administrative authority, the validity of any other provision and of the entire Subscription Agreement shall not be affected thereby.

[SIGNATURE PAGE FOLLOWS]



required to provide an opinion of counsel to the same effect as this Certificate or a copy of (a) the corporation's articles of incorporation, bylaws and authorizing resolution, (b) the partnership agreement, (c) the limited liability company's certificate of formation or articles of organization, as applicable, and limited liability company agreement, operating agreement or similar agreement governing the rights and obligations of the members of the limited liability company, or (d) the trust agreement, as applicable.

II. Subscription Agreement

A. Corporations. An authorized officer of the corporation must date, sign, and complete the Subscription Agreement with information concerning the corporation. The officer should print the name of the corporation above his signature, and print his name and office below his signature.

B. Partnerships. An authorized partner must date, sign, and complete the Subscription Agreement with information concerning the partnership. The partner should print the name of the partnership above his signature, and print his name and the words "general partner" below his signature.

C. Limited Liability Companies. An authorized member or manager must date, sign, and complete the Subscription Agreement with information concerning the limited liability company. The member or manager should print the name of the limited liability company above his signature, and print his name and the word "member" or "manager" below his signature.

D. Trusts. In the case of a trust, the authorized trustee should date, sign, and complete the Subscription Agreement with information concerning the trust. The trustee should print the name of the trust above his signature, and print his name and the word "trustee" below his signature. In addition, an authorized trustee should also provide information requested in the Subscription Agreement as it pertains to him as an individual.

E. Joint Ownership. In all cases, each individual must date, sign, and complete the Subscription Agreement. Joint investors must state if they are purchasing the Shares as joint tenants with the right of survivorship, tenants in common, or community property, and each must execute the Subscription Agreement Signature Page.

CERTIFICATE FOR CORPORATE, PARTNERSHIP,  
LIMITED LIABILITY COMPANY, TRUST, AND JOINT SUBSCRIBERS

If the subscriber is a corporation, partnership, limited liability company, trust, joint purchaser, or other entity, an authorized officer, partner, member, manager or trustee must complete, date, and sign this Certificate.

CERTIFICATE

I hereby certify that:

a. The subscriber has been duly formed and is validly existing and has full power and authority to invest in Netword, Inc.

b. The Subscription Agreement has been duly and validly authorized, executed, and delivered by the subscriber and, upon acceptance by Netword, Inc., will constitute the valid, binding, and enforceable obligation of the subscriber.

Date: \_\_\_\_\_

\_\_\_\_\_  
Name of corporation, partnership, limited liability company, trust or joint purchasers (please print)

\_\_\_\_\_  
Signature and title of authorized officer, partner,

Foreign Investor

SUBSCRIPTION AGREEMENT

Netword, Inc.  
702 Russell Avenue  
Third Floor  
Gaithersburg, Maryland 20877

Ladies and Gentlemen:

1. Subscription. The undersigned (the "Subscriber") hereby subscribes to purchase shares of common stock, par value \$.01, of Netword, Inc., a Delaware corporation (the "Company"), at the purchase price of \$0.1666 per share. The number of such shares subscribed for (the "Shares") is set forth below the signature of such Subscriber on the signature pages hereof. Subscriber herewith delivers to the Company Subscriber's check or other payment (the "Payment") for the Shares in the amount equal to the product of \$0.1666 multiplied by the number of Shares.

2. Representations, Warranties and Covenants of the Subscriber. The Subscriber hereby represents and warrants to the Company that:

2.1 The Subscriber has received and has fully read and considered the Company's Confidential Private Offering Memorandum, dated February 15, 1999 (the "Memorandum"), including, without limitation, the material set forth under "Risk Factors." The Subscriber confirms that, except as set forth in the Memorandum, no representations or warranties have been made to the Subscriber by the Company or its officers and directors, or any agent, employee or affiliate of any of them, and that in entering into this transaction the Subscriber is not relying upon information regarding the Company other than that contained in the Memorandum.

2.2 The Subscriber is aware that the purchase of the Shares is a speculative investment involving a high degree of risk and that there is no guarantee that the Subscriber will recover its investment in the Shares or realize any gain from such investment.

2.3 The Subscriber (a) has sufficient liquid assets to pay the full purchase price for the Shares, (b) has adequate means of providing for the Subscriber's current and presently foreseeable future needs and possible personal contingencies, (c) has no present need for liquidity of the Subscriber's investment in the Shares, and (d) is able to bear the economic risks of the investment in the Shares (i.e., the Subscriber can afford a complete loss).

2.4 The Subscriber is making the investment in the Shares for the Subscriber's own account and not for the account of others.

2.5 The Subscriber either personally has such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the proposed investment in the Shares and to make an informed investment decision with respect thereto, or, by virtue of consultation with or advice from a person or company who is not a promoter of the Company and who is a registered advisor or a registered dealer, is able to evaluate the proposed investment in the Shares.

2.6 The Subscriber has had access to substantially the same information concerning the Company that a prospectus filed under the Ontario Securities Act would provide.

### 3. Miscellaneous

3.1 All notices or other communications given or made hereunder shall be in writing and shall be delivered by hand or mailed by registered or certified mail, return receipt requested, postage prepaid, if to the Subscriber, at the address set forth below the Subscriber's signature on the signature page hereof, and if to the Company at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877, Attention: President, with a copy to Kronish Lieb Weiner & Hellman LLP, 1114 Avenue of the Americas, New York, New York 10036, Attention: Russell Berman, Esq.

3.2 This Subscription Agreement shall be governed by and construed in accordance with the laws of the state of New York applicable to contracts made and wholly performed in that state and without regard to the principles of conflicts of laws.

3.3 This Subscription Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof. All understandings and agreements heretofore had between the parties with respect to the subject matter hereof are merged in this Subscription Agreement, which fully and completely expresses their agreement.

3.4 This Subscription Agreement may not be changed, modified, extended, terminated or discharged orally, but only by an agreement in writing.

3.5 This Subscription Agreement is not transferable or assignable by the Subscriber. The Subscriber agrees that the Shares acquired pursuant hereto shall be transferred only in accordance with applicable federal and state laws.

3.6 All references in this Subscription Agreement to the "Subscriber" shall include all parties (other than the Company) who execute this Subscription Agreement. If the Subscriber is a corporation, partnership, trust or two or more individuals purchasing jointly, the Subscriber shall follow the specific instructions for the Certificate of Corporate, Partnership, Trust and Joint Purchases at page 5 hereof.

4. Lock-Up. Subscriber agrees not to offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offering of, 22% of the Shares purchased pursuant to the subscription made hereby (the "Lock-up Shares") for a period of 180

2

days following the day on which the Company accepts the subscription, except with the prior written consent of the Board of Directors (the "Board") of the Company; provided, however, that the Subscriber may (i) distribute, transfer or otherwise dispose of the Lock-up Shares to any affiliate, associate, employee or partner of the Subscriber or (ii) grant a bona fide gift of the Lock-up Shares to any other person, without the consent of the Board, but only if the person acquiring the Lock-up Shares, at the time of such acquisition, enters into an agreement, enforceable by the Company, pursuant to which such person is bound by the restrictions set forth in this paragraph 4. The certificates evidencing the Lock-up Shares will bear a legend to the foregoing effect.

5. Acceptance of Subscription. Subscriber acknowledges that the subscription made hereby is not binding upon the Company until the Company accepts it. The Company has the right to accept or reject this subscription in whole or in part in its sole and absolute discretion. If this subscription is rejected in whole, the Company shall return the Payment to the Subscriber, without interest, and the Company and Subscriber shall have no further obligation to each other hereunder. In the event of a partial rejection of this subscription, a proportionate amount of the Payment will be returned to the Subscriber, without interest.

6. Counterparts. This Subscription Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all

of which together shall constitute one and the same instrument.

7. Severability. If any provision of this Subscription Agreement shall be declared void or unenforceable by any judicial or administrative authority, the validity of any other provision and of the entire Subscription Agreement shall not be affected thereby.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Subscription Agreement has been executed by the Subscriber and by the Company on the respective dates set forth below.

<TABLE>  
<CAPTION>  
<S>

<C>

<C>

Print Name of Subscriber: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Individual Subscriber

\_\_\_\_\_  
Print Name of Subscriber, if an entity

By: \_\_\_\_\_  
Signature of authorized signatory of  
Subscriber which is an entity

\_\_\_\_\_  
Print name and title of signatory  
for any Subscriber which is an entity

\_\_\_\_\_  
Social Security No. (for individuals)  
Tax Identification No. (for entities)

\_\_\_\_\_  
Number of Shares Purchased

\$ \_\_\_\_\_  
Payment Amount for Shares (Number of  
Shares multiplied by \$0.1666)

\_\_\_\_\_  
Telephone No./ Facsimile No.

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City State Zip

\_\_\_\_\_  
Country

Subscription Accepted by:

Netword, Inc.

By: \_\_\_\_\_  
</TABLE>

Date: \_\_\_\_\_

SPECIAL SUBSCRIPTION INSTRUCTIONS FOR CORPORATE,  
PARTNERSHIP, LIMITED LIABILITY COMPANY,  
TRUST AND JOINT PURCHASERS

If the subscriber is a corporation, partnership, limited liability company, trust, or other entity or joint purchaser, the following additional instructions must be followed. INFORMATION ADDITIONAL TO THAT REQUESTED BELOW MAY ALSO BE REQUIRED BY THE COMPANY IN SOME CASES.

I. Certificate. The subscriber must date and sign the Certificate below, and, if requested by the Company, the subscriber may also be required to provide an opinion of counsel to the same effect as this Certificate or a copy of (a) the corporation's articles of incorporation, bylaws and authorizing resolution, (b) the partnership agreement, (c) the limited liability company's certificate of formation or articles of organization, as applicable, and limited liability company agreement, operating agreement or similar agreement governing the rights and obligations of the members of the limited liability company, or (d) the trust agreement, as applicable.

II. Subscription Agreement

A. Corporations. An authorized officer of the corporation must date, sign, and complete the Subscription Agreement with information concerning the corporation. The officer should print the name of the corporation above his signature, and print his name and office below his signature.

B. Partnerships. An authorized partner must date, sign, and complete the Subscription Agreement with information concerning the partnership. The partner should print the name of the partnership above his signature, and print his name and the words "general partner" below his signature.

C. Limited Liability Companies. An authorized member or manager must date, sign, and complete the Subscription Agreement with information concerning the limited liability company. The member or manager should print the name of the limited liability company above his signature, and print his name and the word "member" or "manager" below his signature.

D. Trusts. In the case of a trust, the authorized trustee should date, sign, and complete the Subscription Agreement with information concerning the trust. The trustee should print the name of the trust above his signature, and print his name and the word "trustee" below his signature. In addition, an authorized trustee should also provide information requested in the Subscription Agreement as it pertains to him as an individual.

E. Joint Ownership. In all cases, each individual must date, sign, and complete the Subscription Agreement. Joint investors must state if they are purchasing the Shares as joint tenants with the right of survivorship, tenants in common, or community property, and each must execute the Subscription Agreement Signature Page.

5

CERTIFICATE FOR CORPORATE, PARTNERSHIP,  
LIMITED LIABILITY COMPANY, TRUST, AND JOINT SUBSCRIBERS

If the subscriber is a corporation, partnership, limited liability company, trust, joint purchaser, or other entity, an authorized officer, partner, member, manager or trustee must complete, date, and sign this Certificate.

CERTIFICATE

I hereby certify that:

a. The subscriber has been duly formed and is validly existing and has full power and authority to invest in Netword, Inc.

b. The Subscription Agreement has been duly and validly authorized, executed, and delivered by the subscriber and, upon

acceptance by Netword, Inc., will constitute the valid, binding, and enforceable obligation of the subscriber.

Date: \_\_\_\_\_  
Name of corporation, partnership, limited liability company, trust or joint purchasers (please print)

\_\_\_\_\_  
Signature and title of authorized officer, partner, member, manager, trustee, or joint purchaser

SUBSCRIPTION AGREEMENT

Netword, Inc.  
702 Russell Avenue  
Third Floor  
Gaithersburg, Maryland 20877

Ladies and Gentlemen:

1. Subscription. The undersigned ("Subscriber") hereby subscribes to purchase Units at the purchase price of \$1.00 per Unit. Each Unit includes one share (a "Share") of common stock, par value \$.01 ("Common Stock"), of Netword, Inc., a Delaware corporation (the "Company") and a warrant (a "Warrant") to purchase eight-tenths (.80) of one share of Common Stock at an exercise price of \$1.25 per share. The shares of Common Stock issuable upon exercise of the Warrants are referred to herein as the "Warrant Shares."

The Warrants will be exercisable immediately upon issuance and will expire on the earlier of the fifth anniversary of their issuance and 150 days after the Registration Statement (described below) becomes effective, subject to redemption by the Company, as described below. The number of Units subscribed for is set forth on the signature page hereof. Subscriber herewith delivers to the Company, Subscriber's check payable to the Company in U.S. dollars (the "Payment") for the Units subscribed for, in the amount equal to the product of U.S.\$1.00 multiplied by the number of such Units.

2. Representations, Warranties and Covenants of Subscriber. Subscriber hereby represents, warrants and covenants to the Company that:

2.1 Subscriber has received and has fully read and considered the Company's Confidential Offering Memorandum, dated February 17, 1999 (the "Memorandum"), including, without limitation, the material set forth under "Risk Factors." Subscriber confirms that, except as set forth in the Memorandum, no representations or warranties have been made to Subscriber by the Company or its officers and directors, or any agent, employee or affiliate of any of them, and that in entering into this transaction Subscriber is not relying upon information regarding the Company other than that contained in the Memorandum. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Memorandum.

2.2 Subscriber is aware that the purchase of the Units is a speculative investment involving a high degree of risk and that there is no guarantee that Subscriber will recover its investment in the Units or realize any gain from such investment.

2.3 Subscriber (a) has sufficient liquid assets to pay the full purchase price for the Units, (b) has adequate means of providing for Subscriber's current and presently foreseeable

future needs and possible personal contingencies, (c) has no present need for liquidity of Subscriber's investment in the Units, and (d) is able to bear the economic risks of the investment in the Units (i.e., Subscriber can afford a complete loss).

2.4 Subscriber is not a "U.S. Person" as defined by Rule 902 of Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), was not organized under the laws of any U.S. jurisdiction, and was not formed for the purpose of investing in securities not registered under the Securities Act.

2.5 At the time the buy order for this transaction was originated, Subscriber was outside the United States.

2.6 No offer to purchase the Units was made to Subscriber in the United States.

2.7 Subscriber is not acquiring the Units for the account or benefit of a U.S. Person. Subscriber will not offer, distribute, resell or transfer the Shares, Warrants or Warrant Shares in the United States, or to a U.S. Person, or for the account or benefit of a U.S. Person, prior to the end of a one year period expiring on the first anniversary of such acquisition (the "Restricted Period"), unless such disposition is made pursuant to an (a) effective registration under the Securities Act, or (b) exemption from such registration, in each case in compliance with all applicable federal and state securities laws. Subscriber agrees that during the Restricted Period, in the absence of registration, offers and sales of the Shares, Warrants and Warrant Shares to non-U.S. Persons may be made outside the United States only in compliance with Rule 903 or Rule 904 of Regulation S and applicable foreign securities laws.

2.8 Subscriber agrees not to enter into any short sales or other hedging transactions such as option writing, equity swaps or other types of derivative transactions, with respect to the Shares, Warrants or Warrant Shares held by Subscriber.

2.9 Subscriber understands that the Units are being offered and sold to it in reliance on specific provisions of United States federal securities laws and foreign securities laws and that the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of Subscriber set forth herein in order to determine the applicability of such provisions.

2.10 Subscriber is not subscribing for the Units as a result of, or subsequent to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or presented at any seminar or general meeting.

2.11 Subscriber is making the investment in the Shares for Subscriber's own account and not for the account of others.

2

2.12 Subscriber either personally has such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the proposed investment in the Shares and to make an informed investment decision with respect thereto, or, by virtue of consultation with or advice from a person or company who is not a promoter of the Company and who is a registered advisor or a registered dealer, is able to evaluate the proposed investment in the Shares.

2.12 Subscriber has had access to substantially the same information concerning the Company that a prospectus filed under the Ontario Securities Act would provide.

2.13 The aggregate acquisition cost of the Units subscribed for by Subscriber pursuant to this Subscription Agreement is equal to or greater than \$150,000.

2.14 Subscriber is making a purchase of the Units concurrent with and subject to acceptance by the Company of his subscription for shares in an offering of 6,000,000 shares of Common Stock at a price of \$0.1666 per share, made by the Company pursuant to a Confidential Private Placement Memorandum dated February 14, 1999.

3. Registration Rights. (a) Subject to completion of the Offering, the Company shall cause to be filed, on or prior to May 31, 1999, a registration statement in accordance with the applicable provisions of the Securities Act (the "Registration Statement"), to permit public resale in the United States of all of the Shares and purchase and resale of the Warrant Shares and other Common Stock included in the Offering or issuable upon exercise of Warrants included in the Offering, provided, that Subscriber furnishes to the Company the information required pursuant to paragraph (c) of this Section 3. The Company shall use its reasonable best efforts to cause such Registration Statement to become effective as promptly as practicable; however, the Company makes no representation as to when, if ever, the Registration Statement will become effective.

(b) The Company shall use its best efforts to keep the Registration Statement continuously effective, supplemented and amended to the

extent necessary to ensure that it is available for resales of Shares and Warrant Shares, and to ensure that it conforms with the requirements of the Securities Act and the policies, rules and regulations of the Commission as announced from time to time, for a period expiring on the earlier to occur of: (i) the date when all Shares and Warrant Shares have been sold, and (ii) the first anniversary of the Closing, provided, that the Company will have the option of suspending the effectiveness of the Registration Statement for periods of up to an aggregate of 60 days in any calendar year if the Board of Directors of the Company determines that compliance with the disclosure obligations necessary to maintain the effectiveness of the Registration Statement at such time could reasonably be expected to have a material adverse effect on the Company or a pending corporate transaction of the Company.

(c) Subscriber may not include any of its Shares or Warrant Shares in the Registration Statement unless and until Subscriber furnishes to the Company in writing, within 20 business days after receipt of a request therefor, the information specified in item 507 of

3

Regulation S-K under the Securities Act for use in connection with the Registration Statement or prospectus or preliminary prospectus included therein. Subscriber agrees to furnish promptly to the Company, for so long as the Registration Statement is effective, all information required to be disclosed in order to make the information previously furnished to the Company by Subscriber not materially misleading.

(d) The Company and Subscriber, as applicable, further covenant and agree as follows:

(i) Following the effective date of the Registration Statement, the Company shall furnish Subscriber such number of prospectuses as Subscriber shall reasonably request.

(ii) The Company shall pay all costs, fees and expenses in connection with the preparation and filing of the Registration Statement, including, without limitation, the Company's legal and accounting fees and printing expenses. Subscriber shall pay its own legal expenses.

(iii) The Company will take all action that may be required in qualifying or registering the Shares and Warrant Shares included in the Registration Statement for offering and sale under the securities or blue sky laws of up to 10 jurisdictions within the United States as are requested by the holders of 50% or more of the Shares included in the Registration Statement, provided, that the Company shall not be obligated to execute or file any general consent to service of process or to qualify as a foreign corporation to do

business under the laws of any such jurisdiction.

(iv) The Company and Subscriber shall enter into reasonable, customary and reciprocal agreements to indemnify and hold one another harmless in connection with the Registration Statement.

4. Redemption of Warrant by the Company. The Company may redeem each Warrant at a price of \$0.05 per Warrant Share (the "Redemption Price"), at its option, at any time after the first date on which the average closing bid prices for the shares of the Company's Common Stock in any inter-dealer quotation system on which the Common Stock has been the subject of both bid and ask quotations shall have exceeded \$2.00 per share on ten consecutive trading days. From and after the date fixed for redemption by notice given pursuant to the provisions of the Warrant, the right to purchase Warrant Shares with respect to the redeemed portion of the Warrant shall cease, and the holder thereof shall be entitled to payment of the Redemption Price with respect to the portion of the Warrant so redeemed (and to receive a new Warrant with respect to the unredeemed portion of the Warrant) upon surrender of the Warrant to the Company.

5. Legend. Subscriber hereby accepts and acknowledges that a legend, in substantially the following form, will be placed on the Shares, Warrants and Warrant Shares:

4

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE OR FOREIGN SECURITIES LAWS. THESE SECURITIES MAY NOT BE TRANSFERRED OR RESOLD IN THE UNITED STATES, OR TO A U.S. PERSON, OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT) FOR A PERIOD OF ONE YEAR EXPIRING ON FEBRUARY , 2000, UNLESS REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE HOLDER PROVIDES THE COMPANY WITH AN OPINION FROM COUNSEL ACCEPTABLE TO THE COMPANY STATING THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE AT THE TIME OF SUCH TRANSFER. HEDGING TRANSACTIONS INVOLVING THESE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

## 6. Miscellaneous

6.1 All notices or other communications given or made hereunder shall be in writing and shall be delivered by hand or mailed by registered or certified mail, return receipt requested, postage prepaid, if to Subscriber, at the address set forth below Subscriber's signature on the signature page hereof, and if to the Company at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877, Attention: President, with a copy to Kronish Lieb Weiner & Hellman LLP,

6.2 This Subscription Agreement shall be governed by and construed in accordance with the laws of the state of New York applicable to contracts made and wholly performed in that state and without regard to the principles of conflicts of laws.

6.3 This Subscription Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof. All understandings and agreements heretofore had between the parties with respect to the subject matter hereof are merged in this Subscription Agreement, which fully and completely expresses their agreement.

6.4 This Subscription Agreement may not be changed, modified, extended, terminated or discharged orally, but only by an agreement in writing.

6.5 This Subscription Agreement is not transferable or assignable by Subscriber. Subscriber agrees that the securities acquired pursuant hereto shall be transferred only in accordance with applicable federal, state and foreign laws.

6.6 All references in this Subscription Agreement to "Subscriber" shall include all parties (other than the Company) who execute this Subscription Agreement. If Subscriber is a corporation, partnership, trust or two or more individuals purchasing jointly, Subscriber shall follow the specific instructions for the Certificate of Corporate, Partnership, Trust and Joint Purchases at page 7 hereof.

6.7 Acceptance of Subscription. Subscriber acknowledges that the subscription made hereby is not binding upon the Company until the Company accepts it. The Company has the right to accept or reject this subscription in whole or in part in its sole and absolute discretion. If this subscription is rejected in whole, the Company shall return the Payment to Subscriber, without interest, and the Company and Subscriber shall have no further obligation to each other hereunder. In the event of a partial rejection of this subscription, a proportionate amount of the Payment will be returned to Subscriber, without interest.

7. Counterparts. This Subscription Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8. Severability. If any provision of this Subscription Agreement shall be declared void or unenforceable by any judicial or administrative authority, the validity of any other provision and of the entire Subscription Agreement shall not be affected thereby.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Subscription Agreement has been executed by Subscriber and by the Company on the respective dates set forth below.

Print Name of Subscriber:

Date:

-----  
Signature of Individual Subscriber

-----  
Print Name of Subscriber, if an entity

By:

-----  
Signature of authorized signatory of  
Subscriber which is an entity

-----  
Print name and title of signatory  
for any Subscriber which is an  
entity

-----  
Social Security No. (for individuals)  
Tax Identification No. (for entities)

-----  
Number of Units Purchased

-----  
\$  
-----  
Payment Amount for Units Purchased  
(Number of Units multiplied by \$1.00)

-----  
Telephone No./ Facsimile No.

-----  
Street Address

-----  
City State Zip

-----  
Country

Subscription Accepted by:

NETWORD, INC.

By: \_\_\_\_\_

Date: \_\_\_\_\_

SPECIAL SUBSCRIPTION INSTRUCTIONS FOR CORPORATE,  
PARTNERSHIP, LIMITED LIABILITY COMPANY,  
TRUST AND JOINT PURCHASERS

If the subscriber is a corporation, partnership, limited liability company, trust, or other entity or joint purchaser, the following additional instructions must be followed. INFORMATION ADDITIONAL TO THAT REQUESTED BELOW MAY ALSO BE REQUIRED BY THE COMPANY IN SOME CASES.

I. Certificate. The subscriber must date and sign the Certificate below, and, if requested by the Company, the subscriber may also be required to provide an opinion of counsel to the same effect as this Certificate or a copy of (a) the corporation's articles of incorporation, bylaws and authorizing resolution, (b) the partnership agreement, (c) the limited liability company's certificate of formation or articles of organization, as applicable, and limited liability company agreement, operating agreement or similar agreement governing the rights and obligations of the members of the limited liability company, or (d) the trust agreement, as applicable.

II. Subscription Agreement

A. Corporations. An authorized officer of the corporation must date, sign, and complete the Subscription Agreement with information concerning the corporation. The officer should print the name of the corporation above his signature, and print his name and office below his signature.

B. Partnerships. An authorized partner must date, sign, and complete the Subscription Agreement with information concerning the

partnership. The partner should print the name of the partnership above his signature, and print his name and the words "general partner" below his signature.

C. Limited Liability Companies. An authorized member or manager must date, sign, and complete the Subscription Agreement with information concerning the limited liability company. The member or manager should print the name of the limited liability company above his signature, and print his name and the word "member" or "manager" below his signature.

D. Trusts. In the case of a trust, the authorized trustee should date, sign, and complete the Subscription Agreement with information concerning the trust. The trustee should print the name of the trust above his signature, and print his name and the word "trustee" below his signature. In addition, an authorized trustee should also provide information requested in the Subscription Agreement as it pertains to him as an individual.

F. Joint Ownership. In all cases, each individual must date, sign, and complete the Subscription Agreement. Joint investors must state if they are purchasing the Units as joint tenants with the right of survivorship, tenants in common, or community property, and each must execute the Subscription Agreement Signature Page.

CERTIFICATE FOR CORPORATE, PARTNERSHIP,  
LIMITED LIABILITY COMPANY, TRUST, AND JOINT SUBSCRIBERS

If the subscriber is a corporation, partnership, limited liability company, trust, joint purchaser, or other entity, an authorized officer, partner, member, manager or trustee must complete, date, and sign this Certificate.

CERTIFICATE

I hereby certify that:

(a) The subscriber has been duly formed and is validly existing and has full power and authority to invest in Netword, Inc.

(b) The Subscription Agreement has been duly and validly authorized, executed, and delivered by the subscriber and, upon acceptance by Netword, Inc., will constitute the valid, binding, and enforceable obligation of the subscriber.

Date:

-----

-----  
Name of corporation, partnership, limited liability  
company, trust or joint purchasers (please print)

-----  
Signature and title of authorized officer, partner,  
member, manager, trustee, or joint purchaser

SERIES B WARRANT NO. \_\_\_\_\_  
\_\_\_\_\_  
SHARES

THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE OR FOREIGN SECURITIES LAWS. THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE TRANSFERRED OR RESOLD IN THE UNITED STATES, OR TO A U.S. PERSON, OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN RULE 902 OF REGULATIONS UNDER THE SECURITIES ACT) FOR A PERIOD OF ONE YEAR EXPIRING ON MARCH 19, 2000, UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE HOLDER PROVIDES AN OPINION FROM COUNSEL ACCEPTABLE TO THE COMPANY STATING THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE AT THE TIME OF SUCH TRANSFER. HEDGING TRANSACTIONS INVOLVING THIS WARRANT OR THE SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

WARRANT, dated as of March 19, 1999, issued by NETWORK, INC., a Delaware corporation (the "Company") with principal offices at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877-2606, Attn: President, to \_\_\_\_\_ (the "Holder").

The Company hereby agrees as follows:

1. Grant. The Company hereby grants to the Holder, the right, privilege and option to purchase from the Company \_\_\_\_\_ shares (the "Warrant Shares") of common stock, par value \$.01 per share ("Common Stock"), subject to adjustment as provided in Section 6, at the exercise price of \$1.25 per share (the "Exercise Price"), all subject to the terms and upon the conditions set forth herein.

2. Exercise of Warrant. This Warrant is exercisable commencing on the date hereof and will expire on the earlier of March 19, 2004 or 150 days after the Registration Statement described in Section 3 of the Subscription Agreement (defined in Section 11 hereof) becomes effective (the "Expiration Date"), subject to the right of the Company to redeem this Warrant as described in Section 3 hereof. This Warrant shall expire and all rights of the Holder will terminate upon the Expiration Date.

3. Method of Exercise and Redemption of Warrant. Unless this Warrant has been redeemed by the Company as provided in this Section 3, the Holder may exercise this Warrant at or prior to the close of business on the Expiration Date. This Warrant may be

exercised by the Holder or redeemed by the Company as follows:

(a) This Warrant may be exercised in whole at any time, or in part from time to time, by delivery of this Warrant to the Company at its principal place of business, accompanied by a check payable to the Company in payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised.

(b) Upon clearance of the check delivered pursuant to Section 3(a), the Company shall make immediate delivery of the shares of Common Stock as to which this Warrant is being exercised, provided that if any law or regulation requires the Company to take any action with respect to such shares of Common Stock before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action. In case of the purchase of less than all the shares purchasable under this Warrant, the Company shall cancel this Warrant upon surrender hereof and shall execute and deliver to the Holder a new Warrant of like tenor and date for the balance of the Warrant Shares.

(c) The Company may redeem this Warrant as to all or any of the Warrant Shares, at a price of \$0.05 per Warrant Share (the "Redemption Price"), at its option, at any time after the first date on which the average of the closing bid prices for the shares of the Company's Common Stock in any inter-dealer quotation system on which the Common Stock has been the subject of both bid and ask quotations shall have exceeded \$2.00 per share on ten consecutive trading days. From and after the date fixed for redemption by notice given pursuant to Section 3(d) (the "Redemption Date"), the right to purchase Warrant Shares with respect to the redeemed portion of this Warrant shall cease, and the Holder shall be entitled to payment of the Redemption Price with respect to the portion of this Warrant so redeemed (and to receive a new Warrant of like tenor and date with respect to the unredeemed portion of this Warrant) upon surrender of this Warrant to the Company.

(d) Notice of redemption of this Warrant shall be given at least 15 days prior to the Redemption Date by mailing, by registered or certified mail, return receipt requested, a copy of such notice to the Holder at its address appearing on the books or transfer records of the Company or such other address as may be designated by the Holder by notice to the Company. Notwithstanding the giving of such notice, the Holder shall be entitled to exercise this Warrant at any time prior to the Redemption Date.

4. Payment of Taxes. (a) The Company shall pay all documentary stamp taxes attributable to the issuance of shares of Common Stock upon the exercise of this Warrant; provided, however, that the Company shall not be

required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any Warrants, warrant certificates or certificates for Warrant Shares purchased pursuant hereto in a name other than that of the Holder, and the Company shall not be required to issue or deliver such Warrants, warrant certificates or other certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

2

(b) The Company's obligation to deliver Warrant Shares upon the exercise of this Warrant or any portion thereof shall be subject to the payment by the Holder of any applicable federal, state and local withholding tax. The Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Holder any federal, state or local taxes required to be withheld with respect to such payment.

5. Restriction on Transfer of Warrants. The Holder hereof, by the Holder's acceptance hereof, hereby represents and warrants to, and agrees with, the Company that the Holder has been informed that neither this Warrant, nor the shares purchasable pursuant to this Warrant, have been registered for sale under any federal, state or foreign securities laws and that this Warrant is being offered and sold to the Holder and, upon the exercise of this Warrant, the shares of Common Stock purchasable pursuant to this Warrant will be sold to the Holder, pursuant to Regulation S under the Securities Act; this Warrant and the Warrant Shares may not be transferred or resold in the United States, or to a U.S. Person, or to or for the account or benefit of a U.S. Person (as such terms are defined in Rule 902 of Regulation S under the Securities Act) for a period of one year expiring on the first anniversary of the date hereof (the "Restricted Period"), unless registered under the Securities Act and applicable state securities laws or unless the Holder provides an opinion to the Company from counsel acceptable to the Company stating that an exemption from registration is available at the time of such transfer; hedging transactions involving this Warrant or the Warrant Shares may not be conducted unless in compliance with the Securities Act; during the Restricted Period, without registration, transfers and resales of this Warrant and the Warrant Shares to non-U.S. Persons may be made outside the United States only in compliance with Rule 903 or Rule 904 of Regulation S; and that prior to the exercise of this Warrant, Holder shall provide to the Company in writing such information as the Company may reasonably request to establish that the exercise of this Warrant by Holder is exempt from registration under such securities laws.

If a transfer of this Warrant is permitted pursuant to the

preceding paragraph of this Section 5, the Holder and any transferee shall execute and deliver to the Company, a completed Assignment in the form attached hereto as Exhibit A. Upon the Company's satisfaction that the requirements necessary for transfer of this Warrant have been satisfied, receipt of the completed and duly executed assignment, and surrender of this Warrant, the Company shall, as promptly as practicable, deliver to the transferee a new Warrant of like tenor and date for that portion of the Warrant Shares as to which this Warrant is being transferred and shall deliver to the Holder a new Warrant of like tenor and date as to the remaining portion of the Warrant Shares, if any.

6. Anti-Dilution Provisions. (a) In case the Company shall (i) declare or pay a dividend on its outstanding shares of Common Stock in shares of Common Stock or make a distribution to all holders of its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its outstanding shares of Common Stock other securities of the Company (including any such reclassification in connection with a consolidation, merger or other business combination in which the Company is the surviving

corporation), the number and kind of Warrant Shares purchasable upon exercise of this Warrant shall be adjusted so that Holder upon exercise hereof shall be entitled to receive the number and kind of Warrant Shares or other securities of the Company that the Holder would have owned or have been entitled to receive after the occurrence of any of the events described above had this Warrant been exercised immediately prior to the occurrence of such event or any record date with respect thereto. An adjustment made pursuant to this Section 6(a) shall become effective on the date of the dividend payment, distribution, subdivision, combination or reclassification issuance retroactive to the record date with respect thereto, if any, for such event. Adjustment by reason of this Section 6(a) shall be made successively whenever such an event occurs.

(b) In case of any consolidation of the Company with, or merger of the Company into, another person (whether or not the Company is the surviving corporation), or in the case of any sale, transfer or lease to another person of all or substantially all of the assets of the Company, the Company or such successor, as the case may be, shall deliver to Holder an undertaking that Holder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such transaction to purchase upon exercise of this Warrant the kind and amount of securities, cash and property which Holder would have owned or have been entitled to receive after the consummation of such

consolidation, merger, sale, transfer or lease had this Warrant been exercised immediately prior to such transaction, and if the successor or purchaser is not a corporation, such person shall provide appropriate tax indemnification with respect to such shares and other securities and property so that, upon exercise of this Warrant, Holder thereof would have the same benefits he otherwise would have had if such successor or purchaser person were a corporation. The provisions of this Section 6(b) shall similarly apply to successive consolidations, mergers, sales, transfers or leases.

7. Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Common Stock upon the exercise of this Warrant, nor shall it be required to issue scrip or pay cash in lieu of fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by the Company by rounding down to the nearest whole number of shares of Common Stock.

8. Reservation of Securities. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon the exercise of this Warrant, such number of shares Common Stock as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of this Warrant for and payment of the exercise price therefor, all shares of Common Stock issuable upon such exercise shall be duly authorized, validly issued, fully paid, non-assessable and not subject to preemptive rights of any shareholder.

9. Notices to Warrant Holders. Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive notice as a shareholder in respect of any meetings of shareholders for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If the Company shall propose to engage in any transaction with respect to which adjustment of the Exercise Price or the kind or amount of securities, property or other assets receivable upon exercise of this Warrant would be required pursuant to Section 6, the Company shall cause to be mailed to the Holder, at least 10 days prior to the applicable date hereinafter specified, a notice describing such transaction and stating (a) in the case of any dividend, distribution or grant of rights or warrants to all holders of shares of Common Stock, the date on which a record is to be taken for such purpose or, if a record is not to be so taken, the date as of which the holders of Common Stock of record to be entitled thereto are to be determined, (b) in the case of any other transaction described in Section 6 in which all holders of Common Stock of record are entitled to participate, the date on which such transaction is expected to become effective and the date as

of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, property or other assets deliverable upon such transaction, and (c) in the case of any other transaction, the date on which it is expected to occur or become effective. Failure to give such notice or any defect therein shall not affect the validity of any action taken or transaction consummated by the Company.

10. No Rights in Common Stock. The Holder shall have none of the rights as a shareholder with respect to any shares of Common Stock until such shares of Common Stock shall be issued to Holder upon exercise of this Warrant.

11. Registration Rights. The Company will cause the registration of the Warrant Shares under the Securities Act as provided in Section 3 of the Subscription Agreement (the "Subscription Agreement") entered into by the initial Holder of this Warrant and the Company providing for such Holder's purchase of this Warrant.

12. Notices. All notices, requests, consents and other communications hereunder shall be effective only if given in writing and shall be deemed to have been duly made or given when delivered, or three days after being mailed by registered or certified mail, return receipt requested:

(a) If to the Holder, to the address of the Holder as shown on the books of the Company or as otherwise designated or provided for herein; or

(b) If to the Company, to the address set forth on the first page of this Warrant or to such other address as the Company may designate by notice to the Holder.

13. Amendment. This Warrant may not be amended or supplemented except by an instrument in writing executed by the Company and the Holder.

15. Governing Law. This Warrant shall be deemed to be a contract made

under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of such State (without regard to the conflicts of law principles thereof).

16. Jurisdiction. Any legal action or proceeding with respect to this Warrant may be brought exclusively in the courts of the State of New

York or of the United States of America for the Southern District of New York, and, by acceptance of this Warrant, Holder accepts for itself and in respect of its property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts. By acceptance of this Warrant, Holder waives and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Warrant, that Holder is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that this Warrant may not be enforced in or by said courts or that Holder's property is exempt or immune from execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or (provided that process shall be served in any manner referred to in the following sentence) that service of process upon Holder is ineffective. Service of process in any such action, suit or proceeding may be made upon the Company or Holder in any manner permitted by the laws of the State of New York or the federal laws of the United States or as follows: (i) by personal service or (ii) by certified or registered mail to Holder or the Company, as applicable, at its address for notice pursuant to Section 12. Service of process upon Holder or the Company in any manner referred to in the preceding sentence shall be deemed in every respect effective service of process upon Holder or the Company.

17. Benefits of This Warrant. Nothing in this Warrant shall be construed to give to any person other than the Company and the Holder and its assigns any legal or equitable right, remedy or claim under this Warrant; and this Warrant shall be for the sole and exclusive benefit of the Company and the Holder and its assigns.

18. Headings. The headings in this Warrant are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of the day and year first above written.

NETWORD, INC.

By: \_\_\_\_\_  
Name:  
Title:

(To be executed by the registered holder if such holder desires to transfer this Warrant)

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells, assigns and transfers that certain Warrant dated March \_\_\_\_, 1999 as to \_\_\_\_\_ Warrant Shares, unto \_\_\_\_\_

(PLEASE PRINT NAME AND ADDRESS OF ASSIGNEE)

together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney, to transfer said Warrant as to \_\_\_\_\_ Warrant Shares on the books of the Netword, Inc., with full power of substitution.

If said number of Warrant Shares shall not be all the Warrant Shares evidenced by the Warrant, a new Warrant shall be issued in the name of and delivered to the registered holder for such portion of the Warrant Shares not so sold, assigned or transferred.

DATED: \_\_\_\_\_

Signature:

\_\_\_\_\_  
(Signature must conform in all respects to name of holder as specified on the face of the Warrant, in every particular, without alteration or enlargement or any change whatever.)

SERIES A-2 WARRANT NO. 1  
150,000 SHARES

THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE RULES AND REGULATIONS PROMULGATED THEREUNDER, OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE PLEDGED, SOLD, ASSIGNED, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS (i) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR (ii) THE COMPANY RECEIVES AN OPINION OF ITS COUNSEL OR OTHER COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH WARRANT OR SHARES MAY BE DISPOSED OF WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

WARRANT, dated as of February 18, 1999, issued by NETWORK, INC., a Delaware corporation (the "Company") with principal offices at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877-2606, Attn: President, to Fulbright & Jaworski LLP (the "Holder").

The Company hereby agrees as follows:

1. Grant. The Company hereby grants to the Holder, the right, privilege and option to purchase from the Company, One Hundred Fifty Thousand (150,000) shares (the "Warrant Shares") of the Company's common stock, par value \$.01 per share ("Common Stock"), subject to adjustment as provided in Section 6 hereof, at the exercise price of \$.1666 per share (the "Exercise Price"), all subject to the terms and upon the conditions set forth herein.

2. Exercise of Warrant. This Warrant is exercisable commencing on the date hereof until 5:00 p.m., N.Y. time, on February 17, 2002 (the "Expiration Date"), subject to the right of the Company to redeem this Warrant as described in Section 3 hereof. This Warrant shall expire and all rights of the Holder will terminate upon the Expiration Date.

3. Method of Exercise and Redemption of Warrant. Subject to the redemption of this Warrant by the Company as provided in this Section 3, the Holder may exercise this Warrant at or prior to the close of business on the Expiration Date. This Warrant may be exercised by the Holder or redeemed by the Company as follows:

(a) Subject to compliance with the provisions of Section 5 hereof, this Warrant may be exercised in whole at any time, or in part from time to time, by delivery of this

Warrant to the Company at its principal place of business, accompanied by a check payable to the Company in payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised.

(b) Upon clearance of the check delivered pursuant to Section 3(a) hereof, the Company shall make immediate delivery of the Warrant Shares as to which this Warrant is being exercised, provided that if any law or regulation requires the Company to take any action with respect to such Warrant Shares before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action. In case of the purchase of less than all the shares purchasable under this Warrant, the Company shall cancel this Warrant upon surrender hereof and shall execute and deliver to the Holder a new Warrant of like tenor and date for the balance of the Warrant Shares.

(c) In the event that a registration statement shall become effective under the Securities Act of 1933, as amended (the "Securities Act") covering the purchase and/or resale of the Warrant Shares, then the Company may, at its option, redeem this Warrant as to all or any of the Warrant Shares, at a price of \$0.05 per Warrant Share (the "Redemption Price"), at any time after the first date on which the average of the closing bid prices for the shares of the Company's Common Stock in any inter-dealer quotation system on which the Common Stock has been the subject of both bid and ask quotations shall have exceeded \$2.50 per share on any 10 consecutive trading days that commenced on or after the effective date of such registration statement. From and after the date fixed for redemption by notice given pursuant to Section 3(d) hereof (the "Redemption Date"), the right to purchase Warrant Shares with respect to the redeemed portion of this Warrant shall cease, and the Holder shall be entitled to payment of the Redemption Price with respect to the portion of this Warrant so redeemed (and to receive a new Warrant of like tenor and date with respect to the unredeemed portion of this Warrant) upon surrender of this Warrant to the Company.

(d) Notice of redemption of this Warrant shall be given at least 30 days prior to the Redemption Date by mailing, by registered or certified mail, return receipt requested, a copy of such notice to the Holder at its address appearing on the books or transfer records of the Company or such other address as may be designated by the Holder by notice to the Company. Notwithstanding the giving of such notice, the Holder shall be entitled to exercise this Warrant at any time prior to the Redemption Date.

4. Payment of Taxes. (a) The Company shall pay all documentary stamp taxes attributable to the issuance of Warrant Shares upon the exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance

and delivery of any Warrants, warrant certificates or certificates for Warrant Shares purchased pursuant hereto in a name other than that of the Holder, and the Company shall not be required to issue or deliver such Warrants, warrant certificates or other certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

2

(b) The Company's obligation to deliver Warrant Shares upon the exercise of this Warrant or any portion thereof shall be subject to the payment by the Holder of any applicable federal, state and local withholding tax. The Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Holder any federal, state or local taxes required to be withheld with respect to such payment.

5. Restriction on Transfer and Exercise of Warrant. The Holder hereof, by the Holder's acceptance hereof, hereby represents and warrants to, and agrees with, the Company that the Holder has been informed that neither this Warrant nor the Warrant Shares have been registered for sale under any federal or state securities laws and that this Warrant is being offered and sold to the Holder and, upon the exercise of this Warrant, the Warrant Shares will be sold to the Holder, pursuant to an exemption from registration under the Securities Act; Holder is acquiring this Warrant and will acquire the Warrant Shares for Holder's own account for investment only and not with a view to the resale or distribution thereof; this Warrant is not assignable or transferable otherwise than by will or the laws of descent and distribution, and this Warrant may be exercised during the Holder's lifetime only by the Holder; any attempt to assign or transfer this Warrant in contravention of this Section 5 shall be void ab initio; the Warrant Shares may not be sold, transferred, assigned, hypothecated or otherwise disposed of, in whole or in part, unless registered under the Securities Act and applicable state securities laws or unless an exemption from such registrations is available; and that prior to the exercise of this Warrant, Holder shall provide to the Company in writing such information as the Company may reasonably request to establish that the exercise of this Warrant by Holder is exempt from registration under such securities laws.

6. Anti-Dilution Provisions. (a) In case the Company shall (i) declare or pay a dividend on its outstanding shares of Common Stock in shares of Common Stock or make a distribution to all holders of its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its outstanding shares of Common

Stock other securities of the Company (including any such reclassification in connection with a consolidation, merger or other business combination in which the Company is the surviving corporation), the number and kind of Warrant Shares purchasable upon exercise of this Warrant shall be adjusted so that Holder upon exercise hereof shall be entitled to receive the number and kind of Warrant Shares or other securities of the Company that the Holder would have owned or have been entitled to receive after the occurrence of any of the events described above had this Warrant been exercised immediately prior to the occurrence of such event or any record date with respect thereto. An adjustment made pursuant to this Section 6(a) shall become effective on the date of the dividend payment, distribution, subdivision, combination or reclassification issuance retroactive to the record date with respect thereto, if any, for such event. Adjustment by reason of this Section 6(a) shall be made successively whenever such an event occurs.

(b) In case of any consolidation of the Company with, or merger of the Company into, another person (whether or not the Company is the surviving corporation), or in the case of any sale, transfer or lease to another person of all or substantially all of the assets of the Company,

3

the Company or such successor, as the case may be, shall deliver to Holder an undertaking that Holder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such transaction to purchase upon exercise of this Warrant the kind and amount of securities, cash and property which Holder would have owned or have been entitled to receive after the consummation of such consolidation, merger, sale, transfer or lease had this Warrant been exercised immediately prior to such transaction, and if the successor or purchaser is not a corporation, such person shall provide appropriate tax indemnification with respect to such shares and other securities and property so that, upon exercise of this Warrant, Holder thereof would have the same benefits he otherwise would have had if such successor or purchaser person were a corporation. The provisions of this Section 6(b) shall similarly apply to successive consolidations, mergers, sales, transfers or leases.

7. Elimination of Fractional Shares. The Company shall not be required to issue certificates representing fractional shares of Common Stock upon the exercise of this Warrant, nor shall it be required to issue scrip or pay cash in lieu of fractional shares, it being the intent of the parties that all fractional shares shall be eliminated by the Company by rounding down to the nearest whole number of shares of Common Stock.

8. Reservation of Securities. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon the exercise of this Warrant, such number of

shares of Common Stock as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of this Warrant for and payment of the exercise price therefor, all Warrant Shares issuable upon such exercise shall be duly authorized, validly issued, fully paid, nonassessable and not subject to preemptive rights of any shareholder.

9. Notices to Warrant Holder. Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive notice as a shareholder in respect of any meetings of shareholders for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If the Company shall propose to engage in any transaction with respect to which adjustment of the Exercise Price or the kind or amount of securities, property or other assets receivable upon exercise of this Warrant would be required pursuant to Section 6, the Company shall cause to be mailed to the Holder, at least 10 days prior to the applicable date hereinafter specified, a notice describing such transaction and stating (a) in the case of any dividend, distribution or grant of rights or warrants to all holders of shares of Common Stock, the date on which a record is to be taken for such purpose or, if a record is not to be so taken, the date as of which the holders of Common Stock of record to be entitled thereto are to be determined, (b) in the case of any other transaction described in Section 6 in which all holders of Common Stock of record are entitled to participate, the date on which such transaction is expected to become effective and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, property or other assets deliverable upon such transaction, and (c) in the case of any other transaction, the date on which it is expected to occur or become effective. Failure to give such notice or any defect therein shall not affect the validity of any action taken or transaction consummated by the Company.

4

#### 10. Notices.

All notices, requests, consents and other communications hereunder shall be effective only if given in writing and shall be deemed to have been duly made or given when delivered, or three days after being mailed by registered or certified mail, return receipt requested:

(a) If to the Holder, to the address of the Holder as shown on the books of the Company or as otherwise designated or provided for herein; or

(b) If to the Company, to the address set forth on the first page of this Warrant or to such other address as the

Company may designate by notice to the Holder.

11. Amendment. This Warrant may not be amended or supplemented except by an instrument in writing executed by the Company and the Holder.

12. Governing Law. This Warrant shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of such State (without regard to the conflicts of law principles thereof).

13. Jurisdiction. Any legal action or proceeding with respect to the interpretation or enforcement of this Warrant may be brought exclusively in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by acceptance of this Warrant, the Holder accepts for itself and in respect of its property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts with respect to such matters. By acceptance of this Warrant, the Holder waives and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Warrant, that the Holder is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that this Warrant may not be enforced in or by said courts or that the Holder's property is exempt or immune from execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or (provided that process shall be served in any manner referred to in the following sentence) that service of process upon the Holder is ineffective. Service of process in any such action, suit or proceeding may be made upon the Company or the Holder in any manner permitted by the laws of the State of New York or the federal laws of the United States or as follows: (i) by personal service or (ii) by certified or registered mail to the Holder or the Company, as applicable, at its address for notice pursuant to Section 10. Service of process upon the Holder or the Company in any manner referred to in the preceding sentence shall be deemed in every respect effective service of process upon the Holder or the Company.

14. Benefits of This Warrant. Nothing in this Warrant shall be construed to give to any person other than the Company and the Holder any legal or equitable right, remedy or claim under this Warrant; and this Warrant shall be for the sole and exclusive benefit of the Company and the Holder.

5

15. Headings. The headings in this Warrant are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be

duly executed as of the day and year first above written.

NETWORD, INC.

By: /s/ Shep Bostin

-----  
Name: Shep Bostin  
Title: Chief Operating Officer and  
Vice President of Marketing

-----

This Note and the securities issuable on conversion hereof have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or state securities law and may not be transferred or sold unless (i) registered under the Securities Act and applicable state securities laws or (ii) an exemption from registration is available at the time of such transfer or sale.

-----

NETWORD, INC.

6% Convertible Note due March 31, 2002

\$20,000.00

New York, New York  
as of April 1, 1999

FOR VALUE RECEIVED, the undersigned, NETWORD, INC., a Delaware corporation ("Company"), hereby promises to pay to the order of KRONISH LIEB WEINER & HELLMAN LLP (the "Payee"), the principal sum of TWENTY THOUSAND AND 00/100 DOLLARS (\$20,000.00). The principal of this Note, to the extent not earlier paid or converted as herein provided, shall be due and payable on March 31, 2002. Interest shall accrue on the unpaid balance of the principal of this Note from time to time outstanding at the rate of six percent (6%) per year, until the principal amount of this Note shall be fully paid, and to the extent not earlier paid or converted as herein provided, shall be due and payable concurrently with the payment of principal hereunder.

This Note incorporates the following additional terms:

1. This Note is issued by the Company to the Payee in partial payment for legal services provided by the Payee to the Company.
2. Payments of principal of and interest on this Note shall be made in lawful money of the United States of America to the Payee, at its offices, located at 1114 Avenue of the Americas, New York, New York 10036, Attention: Russell Berman,

Esq., or at such other place as the Payee shall have designated to the Company in writing.

3. The Payee by acceptance of this Note covenants and represents to the Company that this Note and any securities issued on exercise of the conversion privilege contained herein are being acquired by the Payee without a view to distribution and that the Payee will at no time transfer, assign or dispose of this Note or such securities except in compliance with the requirements of the Securities Act of 1933, as amended, and applicable state securities laws.

4. This Note may not be prepaid by the Company at any time prior to maturity, unless the written consent of the Payee is obtained.

5. (a) Subject to and upon compliance with the provisions of this Section 5 and Section 6, the Payee may, at its option, convert the principal amount of this Note (or any portion thereof), together with all accrued interest on the principal portion hereof being so converted, into fully paid and nonassessable shares of the Company's Common Stock, par value \$.01 per share ("Common Stock"), at \$1.00 per share (the "Conversion Price").

(b) The Conversion Price shall be subject to appropriate decrease or increase, as the case may be, if the Company shall at any time after the date of issuance of this Note:

(i) declare with respect to any shares of the Company's stock, any dividend or distribution payable in shares of Common Stock or in securities directly or indirectly convertible into or exchangeable for shares of Common Stock (but only upon the issuance of shares of Common Stock following the conversion or exchange of such securities), or

(ii) subdivide or combine outstanding shares of Common Stock.

(c) In case of any reclassification, change or exchange of outstanding shares of Common Stock (except for a change as a result of a subdivision or combination of such shares), or in case of any consolidation of the Company with, or merger of the Company into, another corporation (except for a merger or a consolidation in which the Company is the continuing corporation and which does not result in any reclassification, change or exchange of outstanding shares of Common Stock other

than a change as a result of a subdivision or combination of such shares), or in case of any transfer to another corporation of the assets of the Company as an entirety or substantially as an entirety, or if the Company shall declare a dividend or distribution (except in shares of Common Stock or in securities directly or indirectly convertible into or exchangeable for shares of Common Stock) upon the shares of Common Stock payable otherwise than in cash out of earned surplus, this Note shall thereafter be convertible pursuant to this Section 5 into the kind and amount of shares and other securities and property that the Payee would have owned or would have been entitled to receive immediately after such reclassification, change, exchange, consolidation, merger, transfer, dividend or distribution, had this Note been converted immediately prior to the effective date of such reclassification, change, exchange, consolidation, merger or transfer or immediately prior to the date for the determination of security holders of record entitled to receive such dividend or distribution.

(d) At the option of the Payee, to avoid the issuance of any fractional shares upon any conversion, adjustment therefor may be made in cash in an amount equal to the same fraction of the Conversion Price in effect on the date of such conversion.

(e) No adjustment will be made upon conversion of this Note in respect of dividends or distributions previously paid or declared (the date for the determination of security holders of record entitled to receive such dividends or distributions having passed) on the shares of Common Stock previously outstanding, except as otherwise provided in Section 5(b).

(f) Whenever the number of shares of Common Stock or other securities or assets deliverable upon conversion of this Note shall be adjusted as provided in this Section 5, the Company shall forthwith obtain and file with its corporate records a certificate or letter from the firm of independent public accountants then retained by the Company setting forth the adjusted number of shares of Common Stock or other securities or assets deliverable upon conversion of this Note, and a copy of such certificate or letter shall be mailed to the holder hereof. Any such certificate or letter shall be conclusive evidence as to the correctness of the adjustment or adjustments referred to therein and shall be available at the principal office of the Company for inspection by the holder of this Note on any day during normal business hours.

6. To exercise the conversion privilege at any time when such privilege is exercisable in accordance with the terms of this Note (including, without limitation, whether prior to or after the occurrence of any event

referred to in Section 8), the Payee shall surrender this Note, with the attached form of Conversion Notice duly completed, to the Company at the principal office of the Company or at such other place as the Company may designate. As promptly as practicable after surrender of this Note as aforesaid but in no event later than three business days thereafter, the Company shall issue and deliver to the Payee a certificate or certificates for the number of shares of Common Stock and/or other securities issuable or deliverable upon the conversion of this Note or such designated portion hereof in accordance herewith and cash in respect of any fraction of a share of Common Stock for which the Payee has elected to receive cash. Such conversion shall be deemed to have been effected at the time when such notice shall have been received by the Company and this Note shall have been surrendered as aforesaid, and the person in whose name any certificate for shares of Common Stock or other securities shall be issuable upon such conversion shall be deemed to have become on such date the holder of record of the shares or other securities represented thereby, subject to the provisions of Section 8.

If less than all of the amount owing in respect of this Note shall be converted or paid in cash upon any such conversion, the Company shall execute and deliver to the Payee, at the expense of the Company, a new Note, in the principal amount equal to the unconverted portion of this Note and in the same form as this Note.

7. The Company covenants and agrees that it will at all times reserve and keep available such number of its duly authorized and unissued shares of Common Stock as shall from time to time be sufficient to effect the conversion of this Note and the exercise or conversion of all other outstanding securities exercisable or convertible with respect to shares of Common Stock and that, if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of this Note and the exercise or conversion of all other outstanding securities exercisable or convertible with respect to shares of Common Stock at the Conversion Price then in effect, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number as shall be sufficient for such purpose.

4

8. If, at any time prior to the payment of this Note (whether upon stated maturity, acceleration or otherwise), any of the following events shall occur:

(a) the Company shall declare any dividend or other distribution upon the shares of Common Stock payable otherwise than in cash out of earned surplus; or

(b) the Company shall offer to the holders of shares of Common Stock any additional shares of the Company or options or warrants therefor or securities convertible into shares of Common Stock or any right to subscribe therefor; or

(c) a recapitalization, reclassification, consolidation, merger, transfer of assets, dissolution, liquidation, winding-up of the Company or other similar action of the Company requiring approval by its stockholders shall be proposed,

then in any one or more of such events, the Company shall give to the Payee, in accordance with Section 13, not less than 20 days prior notice of the date on which:

(i) the books of the Company shall be closed or a record taken for determination of the stockholders entitled to such dividend, distribution or subscription rights, or

(ii) the books of the Company shall be closed or a record taken for determination of the stockholders entitled to vote on such proposed recapitalization, reclassification, consolidation, merger, transfer of assets, dissolution, liquidation, winding-up or other similar action.

Failure to give such notice or any defect therein shall not affect the validity of any action taken.

9. (a) In the case of any Event of Default (as hereinafter defined), the Payee may, by notice to the Company specifying such Event of Default, declare the principal of and any accrued interest on this Note to be immediately due and payable and thereupon, this Note including both principal and interest, shall become immediately due and payable. This provision is subject to the condition that if, at any time after this Note has been declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Company shall pay all matured installments of interest then due and all payments on account of

5

principal then due (other than by reason of such declaration), then such declaration and its consequences shall be rescinded and annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

(b) Notice of any Event of Default shall be given by the Company to the Payee within five business days after the Company shall become aware of its existence.

(c) For purposes of this Note any one or more of the following shall constitute an "Event of Default":

(i) Default in the payment of the principal of this Note when the same shall mature or become due and payable, either by the terms hereof or otherwise; or

(ii) Default in the payment of any interest on this Note for more than 15 days after the same has become due and payable; or

(iii) Any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$100,000 is entered or filed against the Company or against the property or assets of the Company and remains unpaid, unvacated, unbonded and unstayed for a period of 60 days.

10. Nothing in this Note shall affect or impair the right, which is absolute and unconditional, of the Payee to receive payment of or to institute suit to enforce this Note at and after the maturity hereof (whether stated maturity, acceleration, declaration pursuant to this Note or otherwise) or the obligation of the Company, which is also absolute and unconditional, to pay the principal of and interest on this Note to the Payee at the time and place expressed herein.

11. In any case where the date of maturity of interest on, or principal of, this Note shall be a Sunday or a legal holiday in the State of New York or a day on which banking institutions doing business in the State of New York are authorized by law to close, then payment of such interest may be made on the next succeeding business day with the same force and effect as if made on the nominal date of maturity (and no interest shall accrue for the period after such nominal date).

6

12. The agreements, undertakings, representations and warranties contained in this Note shall remain operative and in full force and effect and, subject to payment in full of all principal and interest due hereon, and shall survive the surrender and/or delivery of this Note to the Company for cancellation or otherwise in connection with the transfer hereof.

13. Except as herein otherwise expressly provided, all notices, requests, demands, consents and other communications required or permitted under this Note shall be in writing and shall be considered to have been duly given when (i) delivered by hand, (ii) sent by telecopier (with

receipt confirmed), provided that a copy is mailed (on the same date) by certified or registered mail, return receipt requested, postage prepaid, or (iii) received by the addressee, if sent by Express Mail, Federal Express or other reputable express delivery service (receipt requested), or by first class certified or registered mail, return receipt requested, postage prepaid, in each case to the appropriate addresses and telecopier numbers set forth below (or to such other addresses and telecopier numbers as a person whose address is herein specified may from time to time designate as to itself by notice similarly given to the other such designees in accordance herewith). A notice of change of address shall not be deemed given until received by the addressee. Notices shall be addressed:

(1) if to the Payee:

Kronish Lieb Weiner & Hellman LLP  
1114 Avenue of the Americas  
New York, New York 10036-7798  
Attn: Russell S. Berman, Esq.  
Telecopier: 212-997-3525

(2) to the Company at:

Netword, Inc.  
702 Russell Avenue  
Third Floor  
Gaithersburg, Maryland 20877  
Attn: Michael Wise  
Telecopier:

14. This Note shall be governed by and construed in accordance with the laws of the State of New York (without regard to the conflict of laws principles thereof).

7

15. All the covenants, stipulations, promises and agreements contained in this Note by or on behalf of the Company shall bind its successors and assigns, whether or not so expressed.

NETWORD, INC.

By:/s/Kent M. Klineman

-----  
Name: Kent M. Klineman  
Title: Secretary

8

NOTICE OF CONVERSION

To be executed by the owner of the attached Note if such owner desires to convert the attached Note:

The undersigned owner of the attached Note hereby

[ ]                   irrevocably exercises the option to convert such Note or portions thereof below designated into shares of Common Stock of Netword, Inc. ("Netword Shares") in accordance with the terms of such Note,

[ ]                   elects to receive payment in cash for any fractional share issuable upon such conversion,

and directs that the Netword Shares issuable and deliverable upon such conversion, together with any check in payment for any fractional share as to which an election to receive cash is made above, be delivered to the undersigned. If less than all of the amount owing in respect of this Note shall be converted or paid in cash upon any such conversion, the Company shall execute and deliver to the Payee, at the expense of the Company, a new Note, in the principal amount equal to the unconverted portion of this Note and in the same form as this Note.

KRONISH LIEB WEINER & HELLMAN LLP

Dated:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Portion to be converted (if less than remaining principal balance):

\$ \_\_\_\_\_

9



SERIES A-3 WARRANT NO. 1  
22,500 SHARES

THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED OR SOLD UNLESS (I) REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR (II) AN EXEMPTION FROM REGISTRATION IS AVAILABLE AT THE TIME OF SUCH TRANSFER OR SALE.

WARRANT, dated as of May 1, 1999, issued by NETWORD, INC., a Delaware corporation (the "Company") with principal offices at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877-2606, Attn: President, to Pryor, Cashman, Sherman & Flynn LLP (the "Holder").

The Company hereby agrees as follows:

1. Grant. The Company hereby grants to the Holder, the right, privilege and option to purchase from the Company, Twenty-Two Thousand Five Hundred (22,500) shares (the "Warrant Shares") of common stock, par value \$.01 per share ("Common Stock"), subject to adjustment as provided in Section 6, at the exercise price of \$.1666 per share (the "Exercise Price"), all subject to the terms and upon the conditions set forth herein.

2. Exercise of Warrant. This Warrant is exercisable commencing on the date hereof and will expire at 5:00 p.m., New York City time, on April 30, 2004 (the "Expiration Date"), subject to the right of the Company to redeem this Warrant as described in Section 3.

3. Method of Exercise and Redemption of Warrant. Unless this Warrant has been redeemed by the Company as provided in this Section 3, the Holder may exercise this Warrant at or prior to its expiration on the Expiration Date. This Warrant may be exercised by the Holder or redeemed by the Company as follows:

(a) Subject to compliance with the provisions of Section 5 hereof, this Warrant may be exercised in whole at any time, or in part from time to time, by delivery of this Warrant to the Company at its principal place of business, accompanied by a check payable to the Company in payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is exercised.

(b) Upon clearance of the check delivered pursuant to Section 3(a), the Company shall make immediate delivery of the shares of Common Stock as to which this Warrant is exercised, provided that if any law or regulation requires the Company to take any action with respect to such shares of Common Stock before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action. In case of

the exercise of this Warrant as to less than all of the Warrant Shares, the Company shall cancel this Warrant upon surrender hereof and shall execute and deliver to the Holder a new Warrant of like tenor and date for the balance of the Warrant Shares.

(c) In the event that a registration statement shall become effective under the Securities Act of 1933, as amended (the "Securities Act") covering the purchase and/or resale of the Warrant Shares, then the Company may, at its option, redeem this Warrant as to all or any of the Warrant Shares, at a price of \$0.05 per Warrant Share (the "Redemption Price"), at any time after the first date on which the average of the closing bid prices for the shares of the Company's Common Stock in any inter-dealer quotation system on which the Common Stock has been the subject of both bid and ask quotations shall have exceeded \$2.50 per share on any 10 consecutive trading days that commenced on or after the effective date of such registration statement. From and after the date fixed for redemption by notice given pursuant to Section 3(d) (the "Redemption Date"), the right to purchase Warrant Shares with respect to the redeemed portion of this Warrant shall cease, and the Holder shall be entitled to payment of the Redemption Price with respect to the portion of this Warrant so redeemed (and to receive a new Warrant of like tenor and date with respect to the unredeemed portion of this Warrant) upon surrender of this Warrant to the Company.

(d) Notice of redemption of this Warrant shall be given at least 30 days prior to the Redemption Date by mailing, by registered or certified mail, return receipt requested, a copy of such notice to the Holder at its address appearing on the books or transfer records of the Company or such other address as may be designated by the Holder by notice to the Company. Notwithstanding the giving of such notice, the Holder shall be entitled to exercise this Warrant at any time prior to the Redemption Date.

4. Payment of Taxes. (a) The Company shall pay all documentary stamp taxes attributable to the issuance of shares of Common Stock upon the exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any Warrants, warrant certificates or certificates for Warrant Shares purchased pursuant hereto in a name other than that of the Holder, and the Company shall not be required to issue or deliver such Warrants, warrant certificates or other certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

(b) The Company's obligation to deliver Warrant Shares upon the exercise of this Warrant or any portion thereof shall be subject to the payment by the Holder of any applicable federal, state and local withholding tax. The

Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Holder any federal, state or local taxes required to be withheld with respect to such payment.

5. Restriction on Transfer and Exercise of Warrant. The Holder hereof, by the Holder's acceptance hereof, hereby represents and warrants to, and agrees with, the Company that the Holder has been informed that neither this Warrant nor the Warrant Shares have been

2

registered for sale under any federal or state securities laws and that this Warrant is being offered and sold to the Holder and, upon the exercise of this Warrant, the Warrant Shares will be sold to the Holder, pursuant to an exemption from registration under the Securities Act; Holder is acquiring this Warrant and will acquire the Warrant Shares for Holder's own account for investment only and not with a view to the resale or distribution thereof; this Warrant is not assignable or transferable otherwise than by will or the laws of descent and distribution, and this Warrant may be exercised during the Holder's lifetime only by the Holder; any attempt to assign or transfer this Warrant in contravention of this Section 5 shall be void ab initio; the Warrant Shares may not be sold, transferred, assigned, hypothecated or otherwise disposed of, in whole or in part, unless registered under the Securities Act and applicable state securities laws or unless an exemption from such registrations is available; and that prior to the exercise of this Warrant, Holder shall provide to the Company in writing such information as the Company may reasonably request to establish that the exercise of this Warrant by Holder is exempt from registration under such securities laws.

6. Anti-Dilution Provisions. (a) In the event the Company shall (i) declare or pay a dividend on its outstanding shares of Common Stock in shares of Common Stock or make a distribution to all holders of its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its outstanding shares of Common Stock other securities of the Company (including any such reclassification in connection with a consolidation, merger or other business combination in which the Company is the surviving corporation), the number and kind of Warrant Shares issuable upon exercise of this Warrant and/or the Exercise Price shall be adjusted as the Company's Board of Directors determines to be equitable so that the Holder upon exercise hereof shall be entitled to receive the number and kind of Warrant Shares or other securities of the Company that the Holder would have been entitled to receive after the occurrence of any of such events had this Warrant been exercised immediately prior to the occurrence of such event or any record date with respect thereto. An adjustment made pursuant to this Section 6(a) shall become effective on the date of the dividend payment, distribution, subdivision, combination or reclassification, retroactive to any record date

with respect thereto. The provisions of this Section 6(a) shall similarly apply to successive events on a cumulative basis.

(b) In case of any consolidation of the Company with, or merger of the Company into, another person (whether or not the Company is the surviving corporation), or in the case of any sale, transfer or lease to another person of all or substantially all of the assets of the Company, the Company or such successor, as the case may be, shall deliver to the Holder an undertaking that the Holder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such transaction to purchase upon exercise of this Warrant the kind and amount of securities, cash and property which the Holder would have been entitled to receive after the consummation of such consolidation, merger, sale, transfer or lease had this Warrant been exercised immediately prior to such transaction, and if the successor or purchaser is not a corporation, such person shall provide appropriate tax indemnification with respect to such shares and other securities and property so that, upon exercise of this Warrant, the Holder will

3

have the same benefits the Holder otherwise would have had if such successor or purchaser were a corporation. The provisions of this Section 6(b) shall similarly apply to successive consolidations, mergers, sales, transfers or leases.

7. Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Common Stock upon the exercise of this Warrant, nor shall it be required to issue scrip or pay cash in lieu of fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by the Company by rounding down to the nearest whole number of shares of Common Stock.

8. Reservation of Securities. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon the exercise of this Warrant, such number of shares of Common Stock as shall be issuable upon the exercise hereof. The Company covenants and agrees that, upon exercise of this Warrant for and payment of the exercise price therefor, all shares of Common Stock issuable upon such exercise shall be duly authorized, validly issued, fully paid, nonassessable and not subject to preemptive rights of any stockholder.

9. Right to Notice. If the Company shall propose to engage in any transaction with respect to which adjustment of the Exercise Price or the kind or amount of securities, property or other assets receivable upon exercise of this Warrant would be required pursuant to Section 6, the Company shall cause to be mailed to the Holder, at least 10 days prior to the applicable date hereinafter specified, a notice describing such transaction and stating (a) in the case of any dividend, distribution or grant of rights or warrants to all

holders of shares of Common Stock, the date on which a record is to be taken for such purpose or, if a record is not to be so taken, the date as of which the holders of Common Stock of record to be entitled thereto are to be determined, (b) in the case of any other transaction described in Section 6 in which all holders of Common Stock of record are entitled to participate, the date on which such transaction is expected to become effective and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, property or other assets deliverable upon such transaction, and (c) in the case of any other transaction, the date on which it is expected to occur or become effective. Failure to give such notice or any defect therein shall not affect the validity of any action taken or transaction consummated by the Company.

10. No Rights as a Stockholder. Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company.

#### 11. Notices.

All notices, requests, consents and other communications hereunder shall be effective only if given in writing and shall be deemed to have been duly made or given when delivered, or three days after being mailed by registered or certified mail, return receipt requested:

4

(a) If to the Holder, to the address of the Holder as shown on the books of the Company or as otherwise designated or provided for herein; or

(b) If to the Company, to the address set forth on the first page of this Warrant or to such other address as the Company may designate by notice to the Holder.

12. Amendment. This Warrant may not be amended or supplemented except by an instrument in writing executed by the Company and the Holder.

13. Governing Law. This Warrant shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of such State (without regard to the conflict of laws principles thereof).

14. Jurisdiction. Any legal action or proceeding with respect to Warrant may be brought exclusively in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by acceptance of this Warrant, the Holder accepts for itself and in respect of its property, generally and unconditionally, the exclusive jurisdiction of the

aforesaid courts. By acceptance of this Warrant, the Holder waives and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Warrant, that the Holder is not subject to the jurisdiction of such courts or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that this Warrant may not be enforced in or by said courts or that the Holder's property is exempt or immune from execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or (provided that process shall be served in any manner referred to in the following sentence) that service of process upon the Holder is ineffective. Service of process in any such action, suit or proceeding may be made upon the Company or the Holder in any manner permitted by the laws of the State of New York or the federal laws of the United States or as follows: (i) by personal service or (ii) by certified or registered mail to the Holder or the Company, as applicable, at its address for notice pursuant to Section 11. Service of process upon the Holder or the Company in any manner referred to in the preceding sentence shall be deemed in every respect effective service of process upon the Holder or the Company.

15. Benefits of This Warrant. Nothing in this Warrant shall be construed to give to any person other than the Company and the Holder any legal or equitable right, remedy or claim under this Warrant; and this Warrant shall be for the exclusive benefit of the Company and the Holder.

16. Headings. The headings in this Warrant are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Warrant.

5

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed on its behalf.

NETWORD, INC.

By: /s/ Kent M. Klineman

-----

Name: Kent M. Klineman

Title: Secretary

6

SUBSCRIPTION AGREEMENT  
-----

Netword, Inc.  
702 Russell Avenue  
Third Floor  
Gaithersburg, Maryland 20877

Ladies and Gentlemen:

1. Subscription. The undersigned ("Subscriber") hereby subscribes to purchase Units at the purchase price of \$1.25 per Unit. Each Unit includes one share (a "Share") of common stock, par value \$.01 ("Common Stock"), of Netword, Inc., a Delaware corporation (the "Company"), and a warrant (a "Warrant") to purchase eight-tenths (.80) of one share of Common Stock at an exercise price of \$1.50 per share. The shares of Common Stock issuable upon exercise of the Warrants are referred to herein as the "Warrant Shares."

The Warrants will be exercisable immediately upon issuance and will expire on June 30, 2004, subject to redemption by the Company, as described below. The number of Units subscribed for is set forth on the signature page hereof. Subscriber herewith delivers to the Company, Subscriber's check payable to the Company in U.S. dollars (the "Payment") for the Units subscribed for, in the amount equal to the product of U.S.\$1.25 multiplied by the number of such Units.

2. Representations, Warranties and Covenants of Subscriber. Subscriber hereby represents, warrants and covenants to the Company that:

2.1 Subscriber has received and has fully read and considered the Company's Amended and Restated Confidential Private Placement Memorandum, dated July 14, 1999 (the "Memorandum"), including, without limitation, the material set forth under "Risk Factors" and the sections of the Memorandum describing the terms of the Offering. In evaluating the suitability of an investment in the Company, Subscriber has not relied upon any representations or other information (whether oral or written) received from the Company, its officers, directors, agents, employees or representatives, except information set forth in the Memorandum or obtained from the Company to verify such information. Subscriber has been given the opportunity to ask questions and receive answers concerning the terms and conditions of the Offering and to obtain such additional information as Subscriber deemed necessary to verify the accuracy of the information set forth in the Memorandum.

2.2 Subscriber is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act").

2.3 Subscriber is purchasing the Units for its own account for the purpose of investment and not with a view to or for sale in connection with, or for purposes of, any

1

"distribution" thereof within the meaning of Section 2(11) of the Securities Act, and no other person has or will have a direct or indirect beneficial interest in the Units.

2.4 Subscriber understands that: (a) the offering and sale of the Units is intended to be exempt from registration pursuant to Rule 506 of Regulation D under the Securities Act, (b) the Shares, Warrants and Warrant Shares may not be sold, transferred, assigned, hypothecated or otherwise disposed of, except pursuant to an (1) effective registration under the Securities Act and applicable state securities laws, or (2) exemption from such registration, in each case in compliance with all applicable federal and state securities laws, (c) except as set forth below in Section 4 and Exhibit A hereto, the Company is under no obligation to register the Shares, Warrants or Warrant Shares or to assist Subscriber in complying with any exemption from the registration thereof, (d) the Shares, Warrants and Warrant Shares will bear a legend to such effects and (e) the Company will make a notation on its transfer books to such effect.

2.6 Subscriber is aware that the purchase of the Units is a speculative investment involving a high degree of risk and that there is no guarantee that Subscriber will recover its investment in the Units or realize any gain from such investment.

2.7 Subscriber (a) has sufficient liquid assets to pay the full purchase price for the Units, (b) has adequate means of providing for Subscriber's current and presently foreseeable future needs and possible personal contingencies, (c) has no present need for liquidity of Subscriber's investment in the Units, and (d) is able to bear the economic risks of the investment in the Units (i.e., Subscriber can afford a complete loss).

2.8 Subscriber is not subscribing for the Units as a result of, or subsequent to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or presented at any seminar or general meeting.

2.9 Subscriber understands that the Company is relying upon the truth and accuracy of the representations, warranties and agreements of Subscriber set forth herein in making its determination that the offering and sale of the Units is exempt from registration under the Securities Act and state securities laws.

2.10 The funds provided for this investment are either separate property of Subscriber, community property over which Subscriber has

the right of control or are otherwise funds as to which Subscriber has the sole right of management.

3. Representations and Warranties of the Company. The Company hereby represents and warrants to Subscriber that the Memorandum does not include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading.

2

4. Registration Rights. The Company grants Subscriber the registration rights (the "Registration Rights") set forth in Exhibit A attached hereto. By executing this Subscription Agreement, Subscriber accepts and agrees to the Registration Rights.

5. Redemption of Warrant by the Company. Upon 30 days notice to Subscriber, the Company may redeem all or a portion of the Warrant Shares covered by each Warrant, at a price of \$0.05 per Warrant Share (the "Redemption Price"), at its option, at any time if (i) more than 12 months have elapsed after the Common Stock is first subject to both bid and ask quotations in the NQB Pink Sheets (or another inter-dealer quotation system) and (ii) at any time after such 12 month period the average of the closing average of bid and asked prices for the Common Stock is at least \$2.50 per share for 20 consecutive trading days during which the average daily trading volume in the Common Stock is at least 10,000 shares.

6. Legend. Subscriber hereby accepts and acknowledges that a legend, in substantially the following form, will be placed on the Shares and Warrants and any Warrant Shares:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED OR SOLD UNLESS (I) REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR (II) AN EXEMPTION FROM REGISTRATION IS AVAILABLE AT THE TIME OF SUCH TRANSFER OR SALE.

#### 7. Miscellaneous

7.1 All notices or other communications given or made hereunder shall be in writing and shall be delivered by hand or mailed by registered or certified mail, return receipt requested, postage prepaid, if to Subscriber, at the address set forth below Subscriber's signature on the signature page hereof, and if to the Company at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877, Attention: President, with a copy to Kronish Lieb Weiner & Hellman LLP, 1114 Avenue of the Americas, New York, New York 10036, Attention: Russell Berman, Esq.

7.2 This Subscription Agreement shall be governed by and

construed in accordance with the laws of the state of New York applicable to contracts made and wholly performed in that state and without regard to the principles of conflicts of laws.

7.3 This Subscription Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof.

7.4 This Subscription Agreement may not be changed, modified, extended, terminated or discharged orally, but only by an agreement in writing.

3

7.5 This Subscription Agreement is not transferable or assignable by Subscriber. Subscriber covenants and agrees that the securities acquired pursuant hereto may be transferred only in accordance with applicable federal and state laws, including the requirements of the Securities Act.

7.6 All references in this Subscription Agreement to the "Subscriber" shall include all parties (other than the Company) who execute this Subscription Agreement. If Subscriber is a corporation, partnership, trust or two or more individuals purchasing jointly, Subscriber shall follow the specific instructions for the Certificate of Corporate, Partnership, Trust and Joint Purchases at page 7 hereof.

8. Acceptance of Subscription. Subscriber acknowledges that the subscription made hereby is not binding upon the Company until the Company accepts it. The Company has the right to accept or reject this subscription in whole or in part in its sole and absolute discretion. If this subscription is rejected in whole, the Company shall return the Payment to Subscriber, without interest, and the Company and Subscriber shall have no further obligation to each other by reason of this Subscription Agreement or the subscription made hereby. In the event of a partial rejection of this subscription, a proportionate amount of the Payment will be returned to Subscriber, without interest.

9. Counterparts. This Subscription Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10. Severability. If any provision of this Subscription Agreement shall be declared void or unenforceable by any judicial or administrative authority, the validity of any other provision and of the entire Subscription Agreement shall not be affected thereby.

11. Capitalized Terms. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Memorandum.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Subscription Agreement has been executed by Subscriber and by the Company on the respective dates set forth below.

Print Name of Subscriber: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Individual Subscriber

\_\_\_\_\_  
Print Name of Subscriber, if an entity

By: \_\_\_\_\_  
Signature of authorized signatory of  
Subscriber which is an entity

\_\_\_\_\_  
Print name and title of signatory  
for any Subscriber which is an entity

\_\_\_\_\_  
Social Security No. (for individuals)  
Tax Identification No. (for entities)

\_\_\_\_\_  
Number of Units Purchased

\$ \_\_\_\_\_  
Payment Amount for Units Purchased  
(Number of Units multiplied by \$1.25)

\_\_\_\_\_  
Telephone No./ Facsimile No.

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City State Zip

Subscription Accepted by:  
NETWORD, INC. as of \_\_\_\_\_, 1999

By: \_\_\_\_\_  
Name:  
Title:

SPECIAL SUBSCRIPTION INSTRUCTIONS FOR CORPORATE,  
PARTNERSHIP, LIMITED LIABILITY COMPANY,  
TRUST AND JOINT PURCHASERS

If Subscriber is a corporation, partnership, limited liability company, trust, or other entity or joint purchaser, the following additional instructions must be followed. INFORMATION ADDITIONAL TO THAT REQUESTED BELOW MAY ALSO BE REQUIRED BY THE COMPANY IN SOME CASES.

1. Certificate. Subscriber must date and sign the Certificate below, and, if requested by the Company, Subscriber may also be required to provide an opinion of counsel to the same effect as this Certificate or a copy of (a) the corporation's articles of incorporation, bylaws and authorizing resolution, (b) the partnership agreement, (c) the limited liability company's certificate of formation or articles of organization, as applicable, and limited liability company agreement, operating agreement or similar agreement governing the rights and obligations of the members of the limited liability company, or (d) the trust agreement, as applicable.

2. Subscription Agreement.

(a) Corporations. An authorized officer of the corporation must date, sign, and complete the Subscription Agreement with information concerning the corporation. The officer should print the name of the corporation above his signature, and print his name and office below his signature.

(b) Partnerships. An authorized partner must date, sign, and complete the Subscription Agreement with information concerning the partnership. The partner should print the name of the partnership above his signature, and print his name and the words "general partner" below his signature.

(c) Limited Liability Companies. An authorized member or manager must date, sign, and complete the Subscription Agreement with information concerning the limited liability company. The member or manager should print the name of the limited liability company above his signature, and print his name and the word "member" or "manager" below his signature.

(d) Trusts. In the case of a trust, the authorized trustee should date, sign, and complete the Subscription Agreement with information concerning the trust. The trustee should print the name of the trust above his signature, and print his name and the word "trustee" below his signature. In addition, an authorized trustee should also provide information requested in the

Subscription Agreement as it pertains to him as an individual.

(e) Joint Ownership. In all cases, each individual must date, sign, and complete the Subscription Agreement. Joint investors must state if they are purchasing the Shares as joint tenants with the right of survivorship, tenants in common, or community property, and each must execute the Subscription Agreement signature page.

CERTIFICATE FOR CORPORATE, PARTNERSHIP,  
LIMITED LIABILITY COMPANY, TRUST, AND JOINT SUBSCRIBERS

If Subscriber is a corporation, partnership, limited liability company, trust, joint purchaser, or other entity, an authorized officer, partner, member, manager or trustee must complete, date, and sign this Certificate.

CERTIFICATE

I hereby certify that:

1. Subscriber has been duly formed and is validly existing and has full power and authority to invest in Netword, Inc.
2. The Subscription Agreement has been duly and validly authorized, executed, and delivered by Subscriber and, upon acceptance by Netword, Inc., will constitute the valid, binding, and enforceable obligation of Subscriber.

Date: \_\_\_\_\_

\_\_\_\_\_  
Name of corporation, partnership, limited liability company, trust or joint purchasers (please print)

\_\_\_\_\_  
Signature and title of authorized officer, partner, member, manager, trustee, or joint purchaser

EXHIBIT A  
-----

1. Registrable Securities. In connection with the purchase of Units in the Offering, the Company grants to Subscriber ( "Subscriber" and collectively

with all other subscribers of Units in the Offering, the "Subscribers") the following registration rights with respect to the: (a) Shares and Warrant Shares and (b) any other securities issued or issuable with respect to any of such Shares or Warrant Shares by way of a stock dividend or stock split or in connection with a combination, exchange, reorganization, recapitalization or reclassification of the Company's securities or pursuant to a merger, consolidation or other similar business combination involving the Company (the "Registrable Securities"). As to any particular Registrable Securities, such securities shall cease to constitute Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have been declared effective under the Securities Act and such securities shall have been disposed of in accordance with a method of disposition contemplated by the registration statement, (b) such securities shall have been sold in satisfaction of all applicable conditions to the resale provisions of Rule 144 under the Securities Act (or any successor provision thereto), (c) such securities shall have been transferred, new certificates evidencing such securities without legends restricting further transfer shall have been delivered by the Company, and subsequent public distribution of such securities shall neither require registration under the Securities Act nor qualification (or any similar filing) under any state securities or "blue sky" law then in effect, or (d) such securities shall have ceased to be outstanding.

2. Limitations on Right to Request Registration. Notwithstanding anything to the contrary set forth below, the Subscribers may require the Company to effect the registration of Registrable Securities only if Subscribers (a) (i) have not previously elected to include 50% or more of the Registrable Securities in an effective registration statement described in the next sentence, (ii) all of the Registrable Securities which were requested to be included in the effective registration statement were so included, and (iii) the Subscribers had the opportunity to include all of the Registrable Securities in the effective registration statement or (b) have not previously requested a registration statement pursuant to Section 3.1 which has become effective and in which all Registrable Securities requested to be included were so included. A registration statement shall not be deemed an effective registration statement for purposes of clause (a) of the preceding sentence, unless (i) the registration statement satisfies the requirements described in Section 3.5 and (ii) at a time when each Subscriber received notice of the opportunity to include Registrable Securities in the registration statement such Subscriber had notice that (x) Subscribers holding 50% or more of the Registrable Securities were requesting inclusion of Registrable Securities in such registration statement and (y) any Subscriber who did not request inclusion of all of its Registrable Securities in such registration statement would have no further right to request registration of its Registrable Securities pursuant to Section 3.1 and Section 4.1.

### 3. Demand Registration Rights.

3.1 Request for Demand Registration. Subject to Section 2, at any time after the 180th day following the completion of the Offering, Subscribers holding at least 25% of the Registrable Securities then held by all of the Subscribers shall have the right to request in writing that the Company effect

the registration under the Securities Act of all or part of such Subscribers' Registrable Securities; provided, that if the managing underwriters of the first underwritten

8

primary offering of equity securities of the Company so requests, Subscribers shall not be entitled to make such a request until the earlier of the 181st day following the effectiveness of the registration statement relating to such offering or the first day when any affiliate or other 5% or greater stockholder of the Company shall not be subject to limitations requested by such underwriter on sales of securities equivalent to the Registrable Securities. The Company will promptly give written notice of such requested registration to all other Subscribers of Registrable Securities and thereupon the Company will use commercially reasonable efforts to effect the registration under the Securities Act of:

- (a) the Registrable Securities which the Company has been so requested to register by Subscribers;
- (b) all other Registrable Securities which the Company has been requested to register by the Subscribers thereof by written request given to the Company within 30 days after the giving of such written notice by the Company, all to the extent requisite to permit the disposition of the Registrable Securities so to be registered; and
- (c) such other securities of the Company which the Company, in its discretion, may designate, whether such securities are to be sold by the Company for its own account or are to be sold by other security holders of the Company.

3.2. Priority in Demand Registrations. If the requested registration pursuant to Section 3.1 involves an underwritten offering, and the managing underwriter thereof shall advise the Company in writing that, in its opinion, the number of securities requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering or that the inclusion would materially adversely affect the marketing of the securities to be sold therein (such writing to state the basis of such opinion and the approximate number of securities which may be included in such offering without such effect), the Company will include in such registration, to the extent of the number which the Company is advised can be sold in such offering, (a) first, securities of the Company which are to be sold by the Company for its own account, (b) second, Registrable Securities requested to be included in such registration pursuant to Section 3.1 by the Subscribers (provided, however, that if the Company is so advised that less than all such Registrable Securities can be so sold in such offering, such Registrable Securities shall be included pro rata in proportion to the respective holdings of such Registrable Securities by the Subscribers, unless such Subscribers otherwise agree), and (c) third, other securities of the Company to be sold by other security holders of the Company.

3.3. Duration of Registration Statement. Subject to Sections 3.4, 4.1 and 5, the Company shall use commercially reasonable efforts to keep any registration statement requested under Section 3.1 continuously effective, supplemented and amended to the extent necessary to ensure that it is available for resales of Shares and Warrant Shares, and to ensure that it conforms with the requirements of the Securities Act and the policies, rules and regulations of the Commission as announced from time to time, for a period expiring on the earlier to occur of: (a) the date when all Shares and Warrant Shares have been sold, and (b) the first anniversary of the completion of the Offering.

9

3.4 Delays in Registration. The Company may delay the filing of a registration statement requested under Section 3.1 for up to 45 days if at the time of a request under Section 3.1:

(a) the Company is a party to a transaction involving the purchase, sale, conversion or issuance of securities of the Company and (i) such transaction is subject to the trading restrictions of Regulation M promulgated by the Commission under the Exchange Act, and (ii) in the Company's judgement, the filing of a registration statement could result in a violation of such restrictions;

(b) there is material undisclosed information concerning the Company which has not been disclosed for business reasons; or

(c) the Company is about to commence an offering of securities of the Company and the underwriter for the Company shall advise the Company in writing (with a copy to the Subscribers) that, in its opinion, the offering contemplated by the Company would be adversely affected by the sale of Registrable Securities by the Subscribers.

3.5. Effective Registration Statement. A registration shall not be deemed to have been effected pursuant to Section 3.1:

(a) unless a registration statement with respect thereto has become effective; provided, however, that a registration which does not become effective after the Company has filed a registration statement with respect thereto solely by reason of the refusal to proceed of any of the Subscribers shall be deemed to have been effected by the Company unless the Subscribers shall have elected to pay, and have in fact paid in full within 30 days after the Company has received notice of any Subscriber's refusal to proceed which results in a termination of the registered offering, all expenses in connection with such registration, (b) if after it has become effective, such registration statement is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason which results in a termination of the registered offering, (c) if the conditions to closing specified in the purchase agreement or underwriting

agreement entered into in connection with such registration are not satisfied or waived, other than by reason of some act or omission by any of the Subscribers; or (d) so long as the period in Section 3.3(a) has not expired, if a registration statement is not available for use by the Subscribers whose Registrable Securities are included in such registration statement for at least 270 calendar days during the one year period set forth in Section 3.3(b).

#### 4. Incidental Registration Rights.

4.1 Incidental Registration Rights. If the Company at any time proposes to register any of its equity securities under the Securities Act (other than by a registration on the Registration Statement (defined in the Memorandum), Form S-4, Form S-8 or any successor or similar form, or any registration form which does not permit secondary sales, whether or not for sale for its own account, it will each such time give prompt written notice to all Subscribers of its intention to do so and of Subscribers' rights under this Section 4.1. Upon the written request of Subscribers made within 15 days after the receipt of any such notice (which request shall specify

10

the Registrable Securities intended to be disposed of by Subscriber), the Company will use commercially reasonable efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by Subscribers; provided, however, that if, at any time after giving written notice of its intention to register any Registrable Securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of the Registrable Securities, the Company may, at its election, give written notice of such determination to Subscribers and, thereupon, (a) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the registration expenses in connection therewith), and (b) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering the other securities covered by the registration statement. Subscriber shall only be entitled to participate in and shall only receive notice of incidental registrations under this Section 4.1 until such time as the conditions of Section 2 are satisfied.

4.2 Priority in Incidental Registrations. If a registration pursuant to Section 4.1 involves an underwritten offering, and the managing underwriter thereof shall advise the Company in writing that, in its opinion, the number of securities requested to be included in such registration exceeds the number which can be sold in (or during the time of) such offering or that the inclusion would materially adversely affect the marketing of the securities to be sold therein, the Company will include in such registration, to the extent of the number which the Company is advised can be sold in such offering, (a) first,

securities of the Company which are to be sold by the Company for its own account, (b) second, other securities of the Company to be sold by other security holders of the Company, and (c) third, Registrable Securities requested to be included in such registration pursuant to Section 4.1 by the Subscribers (provided, however, that if the Company is so advised that less than all such Registrable Securities can be so sold in such offering, such Registrable Securities shall be included pro rata in proportion to the respective holdings of such Registrable Securities by the Subscribers, unless such Subscribers otherwise agree).

5. Suspension of Registration. The Company may suspend the effectiveness of a registration statement, or, without suspending such effectiveness, instruct the Subscribers that no sales of Registrable Securities included in such registration statement may be made if, in the Company's reasonable judgment, the Company would be required to disclose any actions taken or proposed to be taken by the Company, which disclosure would have a material adverse effect on the Company or on such actions (a "Suspension Period") by providing the Subscribers with written notice of such Suspension Period and the reasons therefor. The Company shall use its reasonable efforts to provide such notice a reasonable number of days prior to the commencement of a Suspension Period, provided that in any event the Company shall provide such notice no later than the commencement of such Suspension Period. The Suspension Period shall not exceed 90 days in any calendar year. In addition, the Company shall not be required to keep any registration statement effective, or may without suspending such effectiveness instruct the holders of Registrable Securities included in such registration statement not to sell such Registrable Securities, during any period during which the Company is instructed, directed, ordered or otherwise requested by any governmental agency or self-regulatory organization to stop or suspend such trading or sales ("Supplemental Suspension Period") and

11

such Supplemental Suspension Period shall not be included in the calculation of the Suspension Period referred to above. The Company shall give prompt written notice to Subscribers of the termination of any Suspension Period or Supplemental Suspension Period.

6. Underwriters. Subject to the approval by the Company, which shall not be unreasonably withheld or delayed, the managing underwriter or underwriters of any registration effected pursuant to Section 3.1 shall be selected by Subscribers holding a majority of the Registrable Securities held by Subscribers requesting registration in such registration statement. The underwriter shall be deemed approved by the Company if the Company has not objected to the selection of such underwriter within two weeks.

The managing underwriter or underwriters of any registration effected pursuant to Section 4.1 shall be selected by the Company.

7. Subscriber may not include any of its Registrable Securities in a

registration statement unless and until Subscriber furnishes to the Company in writing, within 20 business days after receipt of a request therefor, (a) the information specified in item 507 of Regulation S-K under the Securities Act and (b) any other information or documentation reasonably requested by the Company, in each case, for use in connection with any such registration statement or prospectus or preliminary prospectus included therein. Subscriber agrees to furnish promptly to the Company, for so long as any registration statement which includes any of Subscriber's Registrable Securities is effective, all information required to be disclosed in order to make the information previously furnished to the Company by Subscriber not materially misleading.

8. The Company and Subscriber, as applicable, further covenant and agree as follows:

8.1 The Company will prepare and (as promptly thereafter as practicable and in any event within 45 days after the end of the period within which requests for registration pursuant to Section 3.1 may be given to the Company) file with the Commission the requisite registration statement to effect registration of the Registrable Securities and thereafter use commercially reasonable efforts to cause such registration statement to become effective; provided, however, that the Company may discontinue any registration of its securities which are not Registrable Securities (and, under the circumstances specified in Sections 3 and 4, its securities which are Registrable Securities) at any time prior to the effective date of the registration statement relating thereto.

8.2 The Company will prepare and file with the Commission such amendments and supplements to any registration statement which includes Subscriber's Registrable Securities and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement for the time period specified in Section 3.3 and any additional period required pursuant to Section 3.5.

8.3 Following the effective date of any registration statement which includes any of Subscriber's Registrable Securities, the Company shall furnish Subscriber such number of prospectuses as Subscriber shall reasonably request.

12

8.4 The Company shall pay all costs, fees and expenses in connection with the preparation and filing of any registration statement which includes any of Subscriber's Registrable Securities, including, without limitation, the Company's legal and accounting fees and printing expenses and legal expenses up to a maximum of \$5,000 of one counsel for the Subscribers, such counsel to be selected by Subscribers holding a majority of the Registrable Securities held by Subscribers requesting inclusion in the registration statement. Except as provided in the preceding sentence, Subscriber shall pay its own legal expenses.

8.5 The Company will use commercially reasonable best efforts to qualify or register the Registrable Securities included in any registration statement for offering and sale under the securities or blue sky laws in all jurisdictions within the United States as are requested by Subscribers of 50% or more of the securities included in the registration statement or their underwriters, as the case may be; provided, that the Company shall not be obligated to execute or file any general consent to service of process or to qualify as a foreign corporation to do business under the laws of any such jurisdiction.

8.6 The Company and Subscriber shall enter into reasonable, customary and reciprocal agreements to indemnify and hold one another harmless in connection with any registration statement which includes any of Subscriber's Registrable Securities; provided, that the indemnification by each Subscriber shall be several and not joint, shall be limited to the information supplied by such Subscriber in writing for inclusion in such registration statement and shall provide for maximum Subscriber liability limited to the net proceeds received by such Subscriber.

8.7 Subscriber shall enter into customary holdback agreements, if required by any underwriter, in connection with any registration statement which includes any of Subscriber's Registrable Securities; provided, that Subscriber shall be accorded lock-up treatment no less favorable than affiliates or other substantial stockholders of the Company.

8.8 If requested by the underwriters for any underwritten offering of Subscriber's Registrable Securities, Subscriber shall become a party to the underwriting agreement between the Company and the underwriters and shall make such representations and warranties to and agreements with the Company and the underwriters as are reasonably required by the Company and the underwriters, as the case may be, and customarily contained in underwriting agreements of this type, which shall be limited to: (a) representations and warranties relating solely to the number of Registrable Securities held by such Subscriber, such Subscriber's intended method of distribution and any other information required to be included in such registration statement unique to such Subscriber; and (b) indemnities, provided, that, any indemnification by each Subscriber shall be several and not joint, shall be limited to the information supplied by such Subscriber in writing for inclusion in such registration statement and shall provide for maximum Subscriber liability limited to the net proceeds received by such Subscriber.

8.9 The Company shall notify Subscriber at any time when a prospectus relating to a registration statement covering Subscriber's Registrable Securities is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein

or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of Subscriber promptly prepare to furnish to Subscriber a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made.

8.10 The Company shall notify Subscribers promptly after the Company shall receive notice or obtain knowledge thereof of the issuance of any stop order by the Commission suspending the effectiveness of any registration statement or amendment thereto or the initiation or threatening of any proceeding for that purpose, and promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal promptly if such stop order should be issued.

8.11 Subscriber agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in Section 8.9 or of any Suspension Period or Supplemental Suspension Period pursuant to Section 5, Subscriber will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until Subscriber's receipt, as the case may be, of the copies of the supplemented or amended prospectus contemplated by Section 8.9 or notice of the termination of such Suspension Period or Supplemental Suspension Period. If so directed by the Company, Subscriber will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in the Subscriber's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice of an event described in Section 8.9.

8.12 These registration rights may only be amended with the approval of the Company and Subscribers holding 75% of the Registrable Securities held by Subscribers.

8.13 The benefits of these registration rights may be transferred by a Subscriber to anyone to whom such Subscriber sells all or otherwise transfers or a part of his Registrable Securities and the transferee shall become a Subscriber; provided, that, the transferee agrees in writing to comply with the obligations of a Subscriber with respect to these registration rights.

SERIES C WARRANT NO. \_\_\_\_\_  
\_\_\_\_\_ SHARES

THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED OR SOLD UNLESS (I) REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR (II) AN EXEMPTION FROM REGISTRATION IS AVAILABLE AT THE TIME OF SUCH TRANSFER OR SALE.

WARRANT, dated as of \_\_\_\_\_, 1999, issued by NETWORD, INC., a Delaware corporation (the "Company") with principal offices at 702 Russell Avenue, Third Floor, Gaithersburg, Maryland 20877-2606, Attn: President, to \_\_\_\_\_ (the "Holder") or registered assigns.

The Company hereby agrees as follows:

1. Grant. The Company hereby grants to the Holder, the right, privilege and option to purchase from the Company \_\_\_\_\_ shares (the "Warrant Shares") of common stock, par value \$.01 per share ("Common Stock"), subject to adjustment as provided in Section 6, at the exercise price of \$1.50 per share (the "Exercise Price"), all subject to the terms and upon the conditions set forth herein.

2. Exercise of Warrant. This Warrant is exercisable commencing on the date hereof and will expire at 5:00 p.m., New York City time, on June 30, 2004 (the "Expiration Date"), subject to the right of the Company to redeem this Warrant as described in Section 3.

3. Method of Exercise and Redemption of Warrant. Unless this Warrant has been redeemed by the Company as provided in this Section 3, the Holder may exercise this Warrant at or prior to its expiration on the Expiration Date. This Warrant may be exercised by the Holder or redeemed by the Company as follows:

(a) This Warrant may be exercised in whole at any time, or in part from time to time, by delivery of this Warrant to the Company at its principal place of business, accompanied by a check payable to the Company in payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is exercised.

(b) At any time after the Common Stock is first subject to trading on any national exchange or inter-dealer quotation system, in addition to the method of payment provided in Section 3(a) hereof and in lieu of any cash payment required thereunder, the Holder shall have the right at any time and from time to time to exercise this Warrant by sending written notice to the Company of such exercise pursuant to this Section 3(b) ("Notice"). Within the period set forth in Section 3(c), the Company shall deliver to Holder a duly

issued certificate (or certificates in the denominations designated by Holder in its Notice) representing the number of

shares of Common Stock equal to the product of (x) the number of shares of Common Stock as to which this Warrant is being exercised, multiplied by (y) a fraction, the numerator of which is the Market Price of the Common Stock less the Exercise Price therefor, and the denominator of which is such Market Price. For the purposes hereof, the "Market Price" on any day shall mean the last reported sale price on such day or, in case no such reported sale takes place on such day, the average of the last reported sale prices for the last three trading days, in either case as officially reported by the principal national securities exchange (including the Nasdaq National Market) on which the Common Stock is listed or admitting to trading, or, if the Common Stock is not listed or admitted to trading on any such national securities exchange, the average closing bid price as furnished by the National Association of Securities Dealers, Inc. ("NASD") on the Nasdaq SmallCap Market, or if the Common Stock is not quoted on the Nasdaq SmallCap Market, the average closing bid price as furnished by the NASD Over the Counter Bulletin Board (the "Bulletin Board"), or if the Common Stock is not quoted on the Bulletin Board, the average of the closing average of bid and asked prices as furnished by the NQB Pink Sheets.

(c) Upon clearance of the check delivered pursuant to Section 3(a) or receipt of the Notice pursuant to Section 3(b), the Company shall make immediate delivery of the shares of Common Stock as to which this Warrant is exercised, provided that if any law or regulation requires the Company to take any action with respect to such shares of Common Stock before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action. In case of the exercise of this Warrant as to less than all of the Warrant Shares, the Company shall cancel this Warrant upon surrender hereof and shall execute and deliver to the Holder a new Warrant of like tenor and date for the balance of the Warrant Shares.

(d) The Company may redeem this Warrant as to all or any of the Warrant Shares, at a price of \$0.05 per Warrant Share (the "Redemption Price"), at its option, at any time if (i) more than 12 months have elapsed after the Common Stock is first subject to both bid and ask quotations in the NQB Pink Sheets (or another inter-dealer quotation system) and (ii) at any time after such 12 month period the average of the closing average of bid and asked prices for the Common Stock is at least \$2.50 per share for 20 consecutive trading days during which the average daily trading volume in the Common Stock is at least 10,000 shares. From and after the date fixed for redemption by notice given pursuant to Section 3(e) (the "Redemption Date"), the right to purchase Warrant Shares with respect to the redeemed portion of this

Warrant shall cease, and the Holder shall be entitled to payment of the Redemption Price with respect to the portion of this Warrant so redeemed (and to receive a new Warrant of like tenor and date with respect to the unredeemed portion of this Warrant) upon surrender of this Warrant to the Company.

(e) Notice of redemption of this Warrant shall be given at least 30 days prior to the Redemption Date by mailing, by registered or certified mail, return receipt requested, a copy of such notice to the Holder at its address appearing on the books or transfer records of the Company or such other address as may be designated by the Holder by notice to the Company. Notwithstanding the giving of such notice, the Holder shall be entitled to exercise this Warrant at any time prior to the Redemption Date.

2

4. Payment of Taxes. (a) The Company shall pay all documentary stamp taxes attributable to the issuance of shares of Common Stock upon the exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any Warrants, warrant certificates or certificates for Warrant Shares purchased pursuant hereto in a name other than that of the Holder, and the Company shall not be required to issue or deliver such Warrants, warrant certificates or other certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

(b) The Company's obligation to deliver Warrant Shares upon the exercise of this Warrant or any portion thereof shall be subject to the payment by the Holder of any applicable federal, state and local withholding tax. The Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Holder any federal, state or local taxes required to be withheld with respect to such payment. Subject to the right of the Company's Board of Directors or any committee thereof to disapprove any such election and require payment of the withholding tax in cash, at any time after the Common Stock is first subject to both bid and ask quotations in the NQB Pink Sheets (or another inter-dealer quotation system), the Holder shall have the right to elect to pay the withholding tax with shares of Common Stock to be received upon exercise of this Warrant or any portion thereof or which are otherwise owned by the Holder. Upon the exercise of any portion of this Warrant, any election to pay withholding taxes with stock shall be irrevocable once made with respect to such portion. For purposes of this Section 4(b), shares of Common Stock used to pay withholding tax shall be valued at the Market Price.

5. Restriction on Transfer of Warrants. The Holder hereof, by the

Holder's acceptance hereof, hereby represents and warrants to, and agrees with, the Company that (a) the Holder has been informed that neither this Warrant nor the Warrant Shares have been registered for sale under any federal or state securities laws and that this Warrant is being offered and sold to the Holder and, upon the exercise of this Warrant, the Warrant Shares will be sold to the Holder, pursuant to an exemption from registration under the Securities Act, or pursuant to a registration statement filed by the Company pursuant to registration rights granted in connection with the issuance of this Warrant; (b) the Holder is an "accredited investor" (as defined in Rule 501(a) of Regulation D under the Securities Act) and is acquiring this Warrant and, if the exercise of this Warrant is not registered under the Securities Act and applicable state securities laws, will acquire the Warrant Shares for the Holder's own account for investment only and not with a view to distribution; (c) this Warrant and the Warrant Shares may not be transferred or sold, in whole or in part, unless such transfer or sale is registered under the Securities Act and applicable state securities laws or exempt from such registration; and (d) if the exercise of this Warrant is not registered under the Securities Act and applicable state securities laws, prior to the exercise of this Warrant, the Holder shall provide to the Company in writing such information as the Company may reasonably request to establish that the exercise of this Warrant by the Holder is exempt from registration under the Securities Act and applicable state securities laws.

If a transfer of this Warrant is permitted pursuant to the preceding paragraph of this Section 5, the Holder shall execute and deliver to the Company, a completed Assignment in the form attached hereto as Exhibit A. Upon the Company's determination that the requirements for transfer of this Warrant have been satisfied, receipt of the completed and duly executed Assignment, and surrender of this Warrant, the Company shall, as promptly as practicable, deliver to the transferee a new Warrant of like tenor and date for that portion of the Warrant Shares as to which this Warrant is being transferred and shall deliver to the Holder a new Warrant of like tenor and date for the balance, if any, of the Warrant Shares.

6. Anti-Dilution Provisions. (a) In the event the Company shall (i) declare or pay a dividend on its outstanding shares of Common Stock in shares of Common Stock or make a distribution to all holders of its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its outstanding shares of Common Stock other securities of the Company (including any such reclassification in connection with a consolidation, merger or other business

combination in which the Company is the surviving corporation), the number and kind of Warrant Shares issuable upon exercise of this Warrant and/or the Exercise Price shall be adjusted as the Company's Board of Directors determines to be equitable so that the Holder upon exercise hereof shall be entitled to receive the number and kind of Warrant Shares or other securities of the Company that the Holder would have been entitled to receive after the occurrence of any of such events had this Warrant been exercised immediately prior to the occurrence of such event or any record date with respect thereto. An adjustment made pursuant to this Section 6(a) shall become effective on the date of the dividend payment, distribution, subdivision, combination or reclassification, retroactive to any record date with respect thereto. The provisions of this Section 6(a) shall similarly apply to successive events on a cumulative basis.

(b) In case of any consolidation of the Company with, or merger of the Company into, another person (whether or not the Company is the surviving corporation), or in the case of any sale, transfer or lease to another person of all or substantially all of the assets of the Company, the Company or such successor, as the case may be, shall deliver to the Holder an undertaking that the Holder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such transaction to purchase upon exercise of this Warrant the kind and amount of securities, cash and property which the Holder would have been entitled to receive after the consummation of such consolidation, merger, sale, transfer or lease had this Warrant been exercised immediately prior to such transaction, and if the successor or purchaser is not a corporation, such person shall provide appropriate tax indemnification with respect to such shares and other securities and property so that, upon exercise of this Warrant, the Holder will have the same benefits the Holder otherwise would have had if such successor or purchaser were a corporation. The provisions of this Section 6(b) shall similarly apply to successive consolidations, mergers, sales, transfers or leases.

7. Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Common Stock upon the exercise of this Warrant, nor

shall it be required to issue scrip or pay cash in lieu of fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by the Company by rounding down to the nearest whole number of shares of Common Stock.

8. Reservation of Securities. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon the exercise of this Warrant, such number of

shares Common Stock as shall be issuable upon the exercise hereof. The Company covenants and agrees that, upon exercise of this Warrant for and payment of the exercise price therefor, all shares of Common Stock issuable upon such exercise shall be duly authorized, validly issued, fully paid, nonassessable and not subject to preemptive rights of any stockholder.

9. Right to Notice. If the Company shall propose to engage in any transaction with respect to which adjustment of the Exercise Price or the kind or amount of securities, property or other assets receivable upon exercise of this Warrant would be required pursuant to Section 6, the Company shall cause to be mailed to the Holder, at least 10 days prior to the applicable date hereinafter specified, a notice describing such transaction and stating (a) in the case of any dividend, distribution or grant of rights or warrants to all holders of shares of Common Stock, the date on which a record is to be taken for such purpose or, if a record is not to be so taken, the date as of which the holders of Common Stock of record to be entitled thereto are to be determined, (b) in the case of any other transaction described in Section 6 in which all holders of Common Stock of record are entitled to participate, the date on which such transaction is expected to become effective and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, property or other assets deliverable upon such transaction, and (c) in the case of any other transaction, the date on which it is expected to occur or become effective. Failure to give such notice or any defect therein shall not affect the validity of any action taken or transaction consummated by the Company.

10. No Rights as a Stockholder. Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to consent or to receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company.

11. Notices. All notices, requests, consents and other communications hereunder shall be effective only if given in writing and shall be deemed to have been duly made or given when delivered, or three days after being mailed by registered or certified mail, return receipt requested:

(a) If to the Holder, to the address of the Holder as shown on the books of the Company or as otherwise designated or provided for herein; or

(b) If to the Company, to the address set forth on the first page of this Warrant or to such other address as the Company may designate by notice to the Holder.

12. Amendment. This Warrant may not be amended or supplemented except by an instrument in writing executed by the Company and the Holder.

13. Governing Law. This Warrant shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of such State (without regard to the conflict of laws principles thereof).

14. Jurisdiction. Any legal action or proceeding with respect to this Warrant may be brought exclusively in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by acceptance of this Warrant, the Holder accepts for itself and in respect of its property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts. By acceptance of this Warrant, the Holder waives and agrees not to assert as a defense in any action, suit or proceeding for the interpretation or enforcement of this Warrant, that the Holder is not subject to the jurisdiction of such courts or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that this Warrant may not be enforced in or by said courts or that the Holder's property is exempt or immune from execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or (provided that process shall be served in any manner referred to in the following sentence) that service of process upon the Holder is ineffective. Service of process in any such action, suit or proceeding may be made upon the Company or the Holder in any manner permitted by the laws of the State of New York or the federal laws of the United States or as follows: (i) by personal service or (ii) by certified or registered mail to the Holder or the Company, as applicable, at its address for notice pursuant to Section 11. Service of process upon the Holder or the Company in any manner referred to in the preceding sentence shall be deemed in every respect effective service of process upon the Holder or the Company.

15. Benefits of This Warrant. Nothing in this Warrant shall be construed to give to any person other than the Company and the Holder and its assigns any legal or equitable right, remedy or claim under this Warrant, and this Warrant shall be for the exclusive benefit of the Company and the Holder and its assigns.

16. Headings. The headings in this Warrant are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed on its behalf.

NETWORD, INC.

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT A

[FORM OF ASSIGNMENT]

(To be executed by the registered holder if the holder desires to transfer the Warrant)

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells, assigns and transfers the within Series C Warrant No. \_\_\_\_ of NETWORD, INC. (the "Company"), dated \_\_\_\_\_, 1999, to the extent of the rights evidenced by said Warrant to purchase \_\_\_\_\_ Warrant Shares, unto \_\_\_\_\_

(PLEASE PRINT NAME AND ADDRESS OF ASSIGNEE)  
together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney, to transfer said Warrant on the books of the Company, with full power of substitution.

If this assignment is made as to less than all of the Warrant Shares evidenced by said Warrant, a new Warrant of like tenor and date shall be issued in the name of and delivered to the registered holder for the balance of the Warrant Shares evidenced by said Warrant.

DATED: \_\_\_\_\_

Signature:

\_\_\_\_\_  
(Signature must conform in all respects to name of holder as specified on the face of the Warrant, in every particular, without alteration or enlargement or any change whatever.)

NETWORD, INC.  
STOCK OPTION PLAN

1. Purposes.

This Stock Option Plan (the "Plan") is intended to attract and retain the best available personnel with Netword, Inc. or any of its subsidiary corporations (collectively, the "Company"), and to provide additional incentive to such employees and others to exert their maximum efforts toward the success of the Company. The above aims will be effectuated through the granting of certain stock options. Options may be granted under the Plan which are intended to qualify as Incentive Stock Options ("ISOs") under Section 422 of the Internal Revenue Code of 1986 (the "Code") or which are not intended to qualify as Incentive Stock Options ("Non-ISOs"). The term "subsidiary corporation" shall, for purposes of the Plan, be defined in the same manner as such term is defined in Section 424(f) of the Code and shall include a subsidiary of any subsidiary.

2. Administration of the Plan.

(a) The Plan shall be administered by the Board of Directors of the Company (the "Board of Directors"), as the Board of Directors may be composed from time to time, except as provided in subparagraph (b) of this Paragraph 2. The determinations of the Board of Directors under the Plan, including without limitation as to the matters referred to in this Paragraph 2, shall be conclusive. Any determination by a majority of the members of the Board of Directors at any meeting, or by written consent in lieu of a meeting, shall be deemed to have been made by the whole Board of Directors. Within the limits of the express provisions of the Plan, the Board of Directors shall have the authority, in its discretion, to take the following actions under the Plan:

(i) to determine the individuals to whom, and the time or times at which, ISOs to purchase the Company's shares of Common Stock, par value \$.01 per share ("Common Shares"), shall be granted, and the number of Common Shares to be subject to each ISO,

(ii) to determine the individuals to whom, and the time or times at which, Non-ISOs to purchase the Company's Common Shares, shall be granted, and the number of Common Shares to be subject to each Non-ISO,

(iii) to determine the terms and provisions of the respective stock option agreements or certificates granting ISOs and Non-ISOs (which need not be identical),

(iv) to accelerate the exercisability of any ISO or Non-ISO;

(v) to interpret the Plan,

(vi) to prescribe, amend and rescind rules and regulations relating to the Plan, and

(vii) to make all other determinations and take all other actions necessary or advisable for the administration of the Plan. In making such determinations, the Board of Directors may take into account the nature of the services rendered by such individuals, their present and potential contributions to the Company's success and such other factors as the Board of Directors, in its discretion, shall deem relevant. An individual to whom an option has been granted under the Plan is referred to herein as an "Optionee."

(b) Notwithstanding anything to the contrary contained herein, the Board of Directors may at any time, or from time to time, appoint a committee (the "Committee") of at least two members of the Board of Directors, and delegate to Committee the authority of the Board of Directors to administer the Plan. Upon such

appointment and delegation, the Committee shall have all the powers, privileges and duties of the Board of Directors, and shall be substituted for the Board of Directors, in the administration of the Plan, except that the power to appoint members of the Committee and to terminate, modify or amend the Plan shall be retained by the Board of Directors. The Board of Directors may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, may fill vacancies in the Committee and may discharge the Committee. A majority of the Committee shall constitute a quorum and all determinations shall be made by a majority of its members. Any determination reduced to writing and signed by a majority of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. Members of the Committee shall not be eligible to participate in this Plan.

### 3. Shares Subject to the Plan.

The total number of Common Shares which shall be subject to ISOs and Non-ISOs granted under the Plan (collectively, "Options") shall be 7,500,000 in the aggregate, subject to adjustment as provided in Paragraph 8. The Company shall at all times while the Plan is in force reserve such number of Common Shares as will be sufficient to satisfy the requirements of outstanding Options. The Common Shares to be issued upon exercise of Options shall in whole or in part be authorized and unissued or reacquired Common Shares. The unexercised portion of any expired, terminated or canceled Option shall again be available for the grant of Options under the Plan.

### 4. Eligibility.

(a) ISOs and Non-ISOs may be granted to employees of the Company. A director or officer of the Company who is not also an employee of the Company, consultants of the Company and other persons at the Board's discretion, shall be eligible to receive Non-ISOs but shall not be eligible to receive ISOs.

(b) An ISO may be granted, consistent with the other terms of the Plan, to an employee who owns (within the meaning of Sections 422(b)(6) and 424(d) of the Code), more than ten (10%) percent of the total combined voting power or value of all classes of stock of the Company or a subsidiary corporation (any such person, a "Principal Shareholder") only if, at the time such ISO is granted, the purchase price of the Common Shares subject to the ISO is an amount which equals or exceeds one hundred ten percent (110%) of the fair market value of such Common Shares, and such ISO by its terms is not exercisable more than five (5) years after it is granted.

(c) Nothing contained in the Plan shall be construed to limit the right of the Company to grant options otherwise than under the Plan for proper corporate purposes.

(d) Nothing contained in the Plan shall be construed to limit the right of the Board of Directors to grant an ISO and a Non-ISO concurrently under a single stock option agreement so long as each Option is clearly identified as to its status. Furthermore, if an Option has been granted under the Plan, additional Options may be granted from time to time to the Optionee holding such Options, and Options may be granted from time to time to one or more employees, officers, or directors who have not previously been granted Options.

(e) To the extent that the grant of an Option results in the aggregate fair market value (determined at the time of grant) of the Common Shares (or other capital stock of the Company or any subsidiary) with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year (under all plans of the Company and subsidiary corporations) to exceed \$100,000, such Option shall be treated as a Non-ISO. The provisions of this subparagraph (e) of Paragraph 4 shall be construed and applied in accordance with Section 422(d) of the Code and the regulations, if any, promulgated thereunder.

## 5. Terms of Options.

The terms of each Option granted under the Plan shall be determined by the Board of Directors consistent with the provisions of the Plan, including the following:

(a) The purchase price of the Common Shares subject to each ISO shall not be less than the fair market value (or in the case of the grant of an ISO to a Principal Shareholder, not less than 110% of fair market value) of such Common Shares at the time such Option is granted. Such fair market value shall be determined by the Board of Directors and, if the Common Shares are listed on a national securities exchange or traded on the over-the-counter market, the fair market value shall be the mean of the highest and lowest trading prices or of the high bid and low asked prices of the Common Shares on such exchange, or on the over-the-counter market as reported by the NASDAQ system or the National Quotation Bureau, Inc., as the case may be, on the day on which the ISO is granted or, if there is no trading or bid or asked price on that day, the mean of the highest and lowest trading or high bid and low asked prices on the most recent day preceding the day on which the ISO is granted for which such prices are available.

(b) The purchase price of the Common Shares subject to each Non-ISO shall be fixed by the Board of Directors, in its discretion, at the time such Option is granted.

(c) The dates on which each Option (or portion thereof) shall be exercisable and the conditions precedent to such exercise, if any, shall be fixed by the Board of Directors, in its discretion, at the time such Option is granted.

(d) The expiration of each Option shall be fixed by the Board of Directors, in its discretion, at the time such Option is granted; however, unless otherwise determined by the Board of Directors, an Option shall be exercisable for ten (10) years after the Grant Date unless the Optionee of an ISO is a Principal Shareholder, in which case the said ISO shall be exercisable for 5 years after the Grant Date. Each Option shall be subject to earlier termination as expressly provided in Paragraph 6 hereof or as determined by the Board of Directors, in its discretion, at the date such Option is granted.

(e) Options shall be exercised by the delivery by the Optionee thereof to the Company at its principal office, or at such other address as may be established by the Board of Directors, of written notice of the number of Common Shares with respect to which the Option is being exercised accompanied by payment in full of the purchase price of such Common Shares. Payment for such Common Shares may be made (as determined by the Board of Directors) (i) in cash, (ii) by certified check or bank cashier's check payable to the order of the Company in the amount of such purchase price, (iii) by a promissory note issued by the Optionee in favor of the Company in an amount equal to such purchase price and payable on terms prescribed by the Board of Directors, which provides for the payment of interest at a fair market rate, as determined by the Board of Directors, (iv) by delivery of capital stock to the Company having a fair market value (determined on the date of exercise in accordance with the provisions of subparagraph (a) of this Paragraph 5) equal to said purchase price, (v) by any combination of the methods of payment described in (i) through (iv) above, or (vi) by such other methods as the Board of Directors may deem appropriate.

(f) An Optionee shall not have any of the rights of a shareholder with

respect to the Common Shares subject to his Option until such shares are issued to him upon the exercise of his Option as provided herein.

(g) No Option shall be transferable, except by will or the laws of descent and distribution, and any Option may be exercised during the lifetime of the Optionee only by him. No Option granted under the Plan shall be subject to execution, attachment or other process.

#### 6. Death or Termination of Employment.

(a) If the employment or other relationship of an Optionee with the Company shall be terminated voluntarily by the employee and without the consent of the Company or for "Cause" (as hereinafter defined), and immediately after such termination such Optionee shall not then be employed by the Company, any Options granted to such Optionee to the extent not theretofore exercised shall expire forthwith. For purposes of the Plan, "Cause" shall mean "Cause" as defined in any employment agreement ("Employment Agreement") between Optionee and the Company, and, in the absence of an Employment Agreement or in the absence of a definition of "Cause" in such Employment Agreement, "Cause" shall mean (i) any continued failure by the Optionee to obey the reasonable instructions of the President or any member of the Board of Directors, (ii) continued neglect by the Optionee of his duties and obligations as an employee of the Company, or a failure to perform such duties and obligations to the reasonable satisfaction of the President or the Board of Directors, (iii) willful misconduct of the Optionee or other actions in bad faith by the Optionee which are to the detriment of the Company including without limitation commission of a felony, embezzlement or misappropriation of funds and commission of any act of fraud or (iv) a breach of any material provision of any Employment Agreement not cured within 10 days after written notice thereof.

(b) If such employment or other relationship shall terminate other than (i) by reason of death, (ii) voluntarily by the employee and without the consent of the Company, or (iii) for Cause, and immediately after such termination such Optionee shall not then be employed by the Company, any Options granted to such Optionee may be exercised at any time within three months after such termination, subject to the provisions of subparagraph (d) of this Paragraph 6. For the purposes of the Plan, the retirement of an Optionee either pursuant to a pension or retirement plan adopted by the Company or on the normal retirement date prescribed from time to time by the Company, and the termination of employment as a result of a disability (as defined in Section 22(e)(3) of the Code) shall be deemed to be a termination of such Optionee's employment other than voluntarily by the Optionee or for Cause.

(c) If an Optionee dies (i) while employed by, or engaged in such other relationship with, the Company or (ii) within three months after the termination of his employment or other relationship other than voluntarily by the Optionee and without the consent of the Company or for Cause, any Options granted to such Optionee may be exercised at any time within six months after such Optionee's death, subject to the provisions of subparagraph (d) of this Paragraph 6.

(d) An Option may not be exercised pursuant to this Paragraph 6 except to the extent that the Optionee was entitled to exercise the Option at the time of termination of employment or such other relationship, or death, and in any event may not be exercised after the expiration of ten (10) years from the date the Option was granted, or five (5) years from the date an ISO was granted if the Optionee was a Principal Shareholder at that date.

#### 7. Leave of Absence.

For purposes of the Plan, an individual who is on military or sick leave or other bona fide leave of absence (such as temporary employment by the United States or any state government) shall be considered as remaining in the employ of the Company for 90 days or such longer period as shall be determined by the Board of Directors.

#### 8. Adjustment upon Changes in Capitalization.

(a) In the event that the outstanding Common Shares are hereafter changed by reason of reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination or exchange of shares and the like, or dividends payable in Common Shares, an appropriate adjustment shall be made by the Board of Directors in the aggregate number of shares available under the Plan and in the number of shares and price per share subject to outstanding Options. If the Company shall be reorganized, consolidated, or merged with another corporation, or if all or substantially all of the assets of the Company shall be sold or exchanged, an Optionee shall at the time of issuance of the stock under such a corporate event, be entitled to receive upon the exercise of his Option the same number and kind of shares of stock or the same amount of property, cash or securities as he would have been entitled to receive upon the occurrence of any such corporate event as if he had been, immediately prior to such event, the holder of the number of shares covered by his Option; provided, however, that if any of such events occur, the Board of Directors shall have the discretionary power to take any action necessary or appropriate to prevent ISOs granted hereunder from being disqualified as Incentive Stock Options or to

accelerate their vesting date.

(b) Any adjustment under this Paragraph 8 in the number of Common Shares subject to Options shall apply proportionately to only the unexercised portion of any Option granted hereunder. If fractions of a share would result from any such adjustment, the adjustment shall be revised to the next lower whole number of shares.

#### 9. Further Conditions of Exercise.

(a) Unless prior to the exercise of an Option the Common Shares issuable upon such exercise are the subject of a registration statement filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and there is then in effect a prospectus filed as part of such registration statement meeting the requirements of Section 10(a)(3) of the Securities Act, the notice of exercise with respect to such Option shall be accompanied by a representation or agreement of the Optionee to the Company to the effect that such shares are being acquired for investment only and not with a view to the resale or distribution thereof, or such other documentation as may be required by the Company, unless, in the opinion of counsel to the Company, such representation, agreement or documentation is not necessary to comply with the Securities Act.

(b) Anything in the Plan to the contrary notwithstanding, the Company shall not be obligated to issue or sell any Common Shares until they have been listed on each securities exchange on which the Common Shares may then be listed and until and unless, in the opinion of counsel to the Company, the Company may issue such shares pursuant to a qualification or an effective registration statement, or an exemption from registration, under such state and federal laws, rules or regulations as such counsel may deem applicable.

(c) The Board of Directors may impose any such additional terms and conditions related to the exercise of an Option or upon the Common Shares received upon such exercise which it deems appropriate, including rights of first refusal and rights to purchase Common Shares from an Optionee if the Optionee's employment or other relationship with the Company is terminated.

#### 10. Termination, Modification and Amendment.

(a) The Plan (but not Options previously granted under the Plan) shall terminate ten (10) years from the earlier of the date of its adoption by the Board of Directors or the date on which the Plan is approved by the affirmative vote of the holders of a majority of the outstanding shares of capital stock of the Company entitled to vote thereon, and no Option shall be granted after termination of the Plan.

(b) The Plan may from time to time be terminated, modified or amended by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of the Company entitled to vote thereon.

(c) The Board of Directors of the Company may at any time terminate the Plan or from time to time make such modifications or amendments of the Plan as it may deem advisable; provided, however, that the Board of Directors shall not (i) modify or amend the Plan in any way that would disqualify any ISO issued pursuant to the Plan as an Incentive Stock Option or (ii) without approval by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of the Company entitled to vote thereon, increase (except as provided by Paragraph 8) the maximum number of Common Shares as to which Options may be granted under the Plan or change the class of persons eligible to receive Options under the Plan.

(d) No termination, modification or amendment of the Plan may adversely affect the rights conferred by any Options without the consent of the Optionee thereof.

#### 11. Effectiveness of the Plan.

The Plan shall become effective upon adoption by the Board of Directors of the Company. The Plan shall be subject to approval by the affirmative vote of the holders of a majority of the outstanding shares of the capital stock of the Company entitled to vote thereon within one year following adoption of the Plan by the Board of Directors, and all Options granted prior to such approval shall be subject thereto. In the event such approval is withheld, the Plan and all Options which may have been granted thereunder shall become null and void.

#### 12. Not a Contract of Employment.

Nothing contained in the Plan or in any stock option agreement executed pursuant hereto shall be deemed to confer upon any individual to whom an Option is or may be granted hereunder any right to remain in the employ of, or retain the relationship with, the Company.

Netword, Inc.  
702 Russell Avenue  
Gaithersburg, MD 20877

Date

Name  
Address

Dear Name:

You have been awarded options to purchase \_\_\_\_\_ shares of common stock, par value \$.01 per share, of Netword, Inc. (the "Company") pursuant to and in accordance with the terms and provisions of the Company's Stock Option Plan, annexed hereto as Exhibit A. The options are exercisable upon your receipt of this letter and entitle you to purchase \_\_\_\_\_ shares at \$0.1666 per share and shares at \$1.25 per share. The options to purchase \_\_\_\_\_ shares for \$0.1666 will expire on February 17, 2002. The options to purchase \_\_\_\_\_ shares for \$1.25 will expire on February 17, 2004.

Netword, Inc.

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT A

See Exhibit 3.10 to this Registration Statement.



TRADEMARK AND TRADE NAME  
PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is between Netword, Inc., a company incorporated under the laws of the state of Nevada ("Assignor"), successor in interest to Netword, Inc., a company organized under the laws of Delaware, and The Birdshell Corporation, L.L.C., a limited liability company organized under the laws of the state of Delaware ("Assignee"). Assignee and Assignor are collectively referred to hereinafter as the "Parties".

WHEREAS:

Assignor is the owner of certain right, title and interest in and to the common law trademarks and trade names NETWORD and NETWORD, INC. and United States Trademark Application Serial Number 75/036,328 and good will associated therewith (the "Rights") as of the date of this agreement; and

Assignee desires to acquire from Assignor all of Assignor's interest in the Rights;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and warranties contained herein, the Parties agree as follows:

1. Effective Date. The Effective Date of this Agreement shall be April 30, 1996.
2. Assignment. Assignor shall upon receipt of payment pursuant to section 3, execute and deliver to Assignee an Assignment of the Rights, in the form attached hereto as Appendix A, and hereby assigns all of Assignor's right, title and interest in the Rights and any other rights in the term NETWORD, including the right of priority and the right to sue and collect damages for infringement or passing off the Rights from the Effective Date. The date of execution of such Assignment shall be the Assignment date.
3. Initial Payment. Assignee shall, within ten (10) days of the execution of this Agreement, pay to Assignor the sum of \$7,000.
4. Continuing Payments. Assignee shall on each of the first through the seventh annual anniversary of the Assignment Date, pay Assignor the sum of \$4,800.
5. Name Change. Assignor shall and shall cause any subsidiary and affiliate to change their respective corporate names, designations and e-mail addresses, within three months after the Effective date, to ones that do not include the word NETWORD or any words similar to or evocative thereof.
6. Grant Back. In the event that Assignee breaches the obligations under paragraph 4 hereof, which breach is not cured within thirty days of notice of such breach, as the exclusive remedy for such breach Assignor shall be entitled

to and Assignee shall immediately assign all of its right, title

and interest in and to the Rights to Assignor. Upon the reassignment of Rights, no monies paid under this Agreement shall be refunded. In the event that Assignee refuses to assign as required herein, the Rights shall be deemed to have been reassigned by operation of this Agreement and Assignor may file a copy of the executed Agreement to record the reassignment on trademark registers throughout the world.

7. Duty To Assist. Assignor agrees that it will, at Assignee's expense, promptly execute and deliver all papers, make all rightful oaths, testify in any legal proceedings, and perform all other rightful and lawful acts deemed necessary or desirable by Assignee or its successors or assigns to perfect the title to the Rights and any registration or renewals which may be applied for or granted therefor or thereon.

8. Warranty and Representation of Assignor. Assignor represents and warrants that, as of the Effective date and the Assignment date, (i) it has the right to make Assignments of the Rights free of the claims of any other person or entity, (ii) it has the full and unencumbered right to satisfy its obligations under this Agreement and will not execute any agreement inconsistent herewith, and (iii) all action on the part of Assignor, its directors and stockholders necessary for the authorization, execution, delivery, and performance by Assignor of this Agreement and the consummation of the transactions contemplated herein has been or will be taken prior to the Effective Date of this Agreement.

9. Warranty and Representation of Assignee. Assignee represents and warrants that (i) it has the full and unencumbered right to satisfy its obligations under this Agreement and will not execute any agreement inconsistent herewith, and (ii) all action on the part of the Assignee, its directors and stockholders necessary for the authorization, execution, delivery, and performance by Assignee of this Agreement and the consummation of the transactions contemplated herein has been or will be taken prior to the Effective Date of this Agreement.

10. General Provisions.

a. Notice and Deliveries. All notice given in connection with this Agreement shall be in writing and shall be sent to the addresses given below or to such other addresses as the Parties may hereafter specify, in person, by first class mail, or by telecopier or other similar facsimile transmission. Such notices shall be deemed given (i) when delivered to a party, or (ii) three days after mailing by prepaid first-class mail:

For the Assignor:

Diana Guetzkow

For the Assignee:

Samuel Bergman

Netword, Inc.  
P.O. Box 888  
Riverdale, MD 20738-0888

General Manager  
The Birdshell Corporation, L.L.C.  
1600 Wilson Boulevard, Suite 705  
Arlington, VA 22209

with copies to:

L. Lawton Rogers, III  
Rogers & Killeen  
601 King Street, Suite 400  
Alexandria, VA 22314

with copies to:

Mark Ungerman, Esq.  
Fulbright & Jaworski, L.L.P.  
801 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004-2604

b. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

c. Entire Agreement. This Agreement constitutes the entire understanding agreement of the parties with respect to the specific subject matter of this Agreement and supersedes all prior agreements or understandings, written or oral, between the parties hereto with respect to the specific subject matter of this Agreement. This Agreement may not be amended except by a written instrument signed by the Parties.

d. Severability. If any of this Agreement is declared by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this Agreement nevertheless will continue in full force and effect without being impaired or invalidated in any way.

e. Captions. The captions and headings used in this Agreement shall be solely for convenience in reference, and shall in no way define, limit, describe, or affect the scope or intent of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have set their hands on the dates below indicated.

Assignor:  
Netword. Inc.

Assignee:  
The Birdshell Corporation, L.L.C.

By: /s/ Diane Guetzkow

By: /s/ Samuel Bergman

## ASSIGNMENT OF RIGHTS

WHEREAS, Netword, Inc. a corporation organized under the laws of Nevada (hereinafter called "ASSIGNOR"), has adopted, used and has not abandoned the trademark NETWORD, and is the owner of United States Trademark Application Serial Number 75/086,328 (the "Rights").

AND WHEREAS, The Birdshell Corporation, L.L.C., a limited liability company organized under the laws of Delaware (hereinafter called "ASSIGNEE"), is desirous of acquiring the right, title and interest in and to the Rights.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, ASSIGNOR by these presents does sell, assign and transfer unto ASSIGNEE, its successors and assigns, all right, title, and interest in and to the Rights, including the good will of the business associated therewith, including all state, federal and common law rights, including the right of priority, the right to sue for and receive damages for past infringements or passing off, if any, and any other rights in the term NETWORD. The parties further agree that ASSIGNEE shall hold all rights transferred by this agreement for its own use and enjoyment, and for the use and enjoyment of its successors, assigns or other legal representatives as fully and entirely as the same would have been held and enjoyed by ASSIGNOR if this assignment and sale had not been made, including the right to sue and collect damages for past infringement or passing off.

ASSIGNOR hereby warrants and covenants that it has full and unencumbered right to convey, sell and assign the entire interest herein assigned, and that it has not executed, and will not execute, any agreement, document or instrument inconsistent herewith.

ASSIGNOR further covenants that ASSIGNEE, its successors, legal representatives or assigns will, upon written request, be provided promptly with all pertinent facts and documents relating to said Rights as may be known and accessible to ASSIGNOR, and ASSIGNOR will promptly execute and deliver to ASSIGNEE or its legal representative any and all papers, instruments or documents required to register, perfect title to and enforce the Rights deemed necessary or desirable by said ASSIGNEE, its successors, legal representatives or assigns and to carry out the purposes of this Assignment and sale.

IN WITNESS WHEREOF, the said ASSIGNOR has hereunto executed this instrument this 1st day of May, 1996.

NETWORD, INC.

By: /s/ Diane Guetzkow

-----

Name:

Title:

INDEPENDENT AUDITORS' CONSENT

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 9, 1999, in the Registration Statement and related Prospectus of Netword, Inc. (formerly Netword LLC).

/s/ Mahoney Cohen & Company, CPA, P.C.

New York, New York  
September 10, 1999

September 10, 1999

Netword, Inc.  
702 Russell Avenue  
Third Floor  
Gaithersburg, Maryland 20877

Ladies and Gentlemen:

We have acted as counsel to Netword, Inc., a Delaware corporation, (the "Company") in connection with its Registration Statement on Form SB-1 (the "Registration Statement") filed pursuant to the Securities Act of 1933, as amended (the "Securities Act"), relating to the offering from time to time by certain holders of (i) 2,000,000 shares of the Company's common stock, \$.01 par value per share, ("Common Stock") issued by the Company on March 19, 1999 in an offering pursuant to Regulation S under the Securities Act (the "2,000,000 Shares"), and (ii) 4,784,733 shares of Common Stock which are issuable upon the exercise of outstanding warrants (the "Warrants") issued by the Company in two separate transactions on February 18, 1999 and March 19, 1999 (the "4,784,733 Shares").

For purposes of the opinions expressed in this letter, we have reviewed the Registration Statement and such other documents, corporate records, and instruments as we have deemed appropriate. In such review, we have assumed the genuineness of all signatures, the authenticity of all documents submitted as originals and the conformity to the original documents of all documents submitted to us as copies.

On the basis of such review, and having regard to such legal consideration as we consider relevant, it is our opinion that (i) the 2,000,000 Shares are duly authorized and validly issued, fully paid and nonassessable, and (ii) the 4,784,733 Shares are duly authorized and reserved for issuance and, when issued and paid for upon the exercise of the Warrants in accordance with the terms thereof, will be validly issued, fully paid and nonassessable.

We consent to the reference to us under the captions "Significant Parties" and "Legal Matters" in the Prospectus included in the Registration Statement and to the use of this opinion letter as an exhibit to the Registration Statement.

Very truly yours,

/s/ Kronish Lieb Weiner & Hellman LLP

