

less management's estimates of uncollectible registrations and of non-renewals. Except as otherwise noted, all information in this Prospectus assumes no exercise of the Underwriters' over-allotment option. See "Description of Capital Stock," "Underwriting" and Notes to Financial Statements.

THE COMPANY

Network Solutions is the leading Internet domain name registration service provider worldwide. The Company currently acts as the exclusive registrar for second level domain names within the .com, .org, .net, .edu and .gov top-level domains ("TLDs"). By registering Internet domain names, the Company enables businesses, other organizations and individuals to establish a unique Internet presence from which to communicate and conduct commerce. Net registrations within the TLDs maintained by the Company increased by 206% from approximately 340,000 domain names registered at June 30, 1996 to approximately 1,040,000 domain names registered at June 30, 1997. The Company believes that commercial enterprises and individual Internet users worldwide are increasingly recognizing the .com TLD as a desirable address for commercial presence on the Internet. Net registrations in the .com TLD increased from approximately 304,000 at June 30, 1996 to approximately 908,000 at June 30, 1997, representing 87% of the Company's total net registrations at June 30, 1997. With over 10 million businesses and over 750,000 active trademarks and service marks in the United States alone, the Company believes that the potential for continued growth of domain name registrations by commercial entities and services related to those registrations is substantial. Net revenue from Internet domain name registration subscriptions accounted for 81.0% of the Company's net revenue for the six months ended June 30, 1997.

The Company also provides Intranet consulting and network design and implementation services to large companies that desire to establish or enhance their Internet presence or "re-engineer" legacy network infrastructures to accommodate the integration of both Internet connectivity and Intranet network technology into their information technology base. The Company's Intranet services presently include: (i) Intranet development and re-engineering; (ii) network and systems security; and (iii) Intranet-enabled business solutions. According to Zona Research, Inc., the market for Intranet services in the year 1999 will exceed \$14 billion, up from \$3 billion in 1996. There can be no assurance that such market forecast will be achieved. Net revenue from Intranet services accounted for 19.0% of the Company's net revenue for the six months ended June 30, 1997.

The Company currently acts as the registrar for second level domain names within the .com, .org, .net, .edu and .gov TLDs pursuant to a cooperative agreement (the "Cooperative Agreement") with the National Science Foundation (the "NSF"). Prior to September 14, 1995, the Cooperative Agreement was a cost reimbursement plus fixed-fee contract and the Company was paid directly by the NSF for providing registration services. Effective September 14, 1995, the NSF and the Company amended the Cooperative Agreement to authorize the Company to charge customers a subscription fee of \$50 per year for each second level domain name registered. The Company's registration services customers in the .com, .org and .net TLDs are invoiced for a two-year subscription fee of \$100 for initial