A Virtual Campus
Educating Online
HOSTING INTERNET-BASED DISTANCE LEARNING AND TRAINING
VCampus™ EDUCATING ONLINE

THE CURRENT SEGMENTATION OF THE COMPANY’S BUSINESS MIX IS BASED ON EARLY CONCENTRATION IN THE CORPORATE MARKETPLACE. WE BELIEVE THAT THIS SECTOR WILL ... USAGE AND REVENUE STATISTICS THAT RELATE TO BOTH THE ACADEMIC MARKET AND THE DISTRIBUTION ACTIVITY OF THE UOL COURSE LIBRARY.

Thomas W. Peterman, Ph.D.
Vice President for Distance Learning
Park College, Parkville, MO

WHAT OUR CUSTOMERS ARE SAYING ABOUT US...

Company Profile

UOL Publishing, Inc. provides a technology solution for corporations and institutions that need to deliver specialized education and training to a widely dispersed adult learning population. Through the use of Internet connectivity, the Company can deliver academic programs and business related training courses straight to the individual’s personal computer...at work...at home...anywhere, anytime...around the world.

The Company promotes its services as a customized and outsourced web-based “virtual campus” and uses the VCampus™ trademark as its marketing identity. The primary focus of the business is centered on the conversion of the client's proprietary and internal training programs into an Internet accessible library of lessons, otherwise known as courseware. The courseware offerings are then distributed across the Internet to students and employees through the VCampus™ administrative and delivery platform—a complete and feature-rich training management system that includes student enrollment, tracking, testing and reporting capabilities.

The Company also acquires and publishes externally developed courses to add to its growing library of online courseware in the areas of Banking and Finance, Telecommunications, Insurance, Legal Services, Regulatory Issues, Healthcare and Information Technology.

VCampus™ is the Solution for Global Training Needs

Our market insight and our strengthened corporate partnerships have given us the opportunity to position the Company as the industry leader in an increasingly visible and accelerating global market. The VCampus™ continues to earn high praise as the training platform of choice for a select clientele that includes Cable & Wireless, GlobalOne, Graybar Electric, Dearborn Financial, Park College and the University of Texas System, as well as leading international organizations such as Baan NV, Swindon College UK, and the TECOR Group in South Africa.

Multiple Markets, Singular Service

The Global 2000 marketplace requires specific and dedicated attention to customer needs. Our success is dependent upon our ability to:

(1) cost-effectively convert corporate proprietary courses to an online format;

(2) strategically add externally created courseware to expand the size of the UOL course library in targeted vertical markets;

(3) create value-added relationships with certificate or degree-granting entities; and

(4) integrate the VCampus™ solution into the unique distance learning requirements of the academic environment.

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Dear Shareholder:

A strong success indicator for a young business in a new and emerging market is the “happy customer” characteristic as reflected by both the rate of renewal and the increase in dollar purchases by the early adopters of the Company’s products. I am pleased to report to you that our major customers from 1997—those who have experienced more than a year of our service offerings—have since renewed their commitment to buy more of UOL’s VCampus® services and online courses, as evidenced by the increase in online usage during this past year.

The confidence expressed in these renewals is a strong endorsement of our technology, course library, and customer service. UOL’s hardworking professionals deserve much appreciation for their monumental effort over the past three years. The Company has accumulated over 110,000 course enrollments through its corporate and academic partnerships and currently delivers an average of 20,000 courses a month. By comparison, if we look back to a time just eighteen months ago, we note that the Company had served less than 10,000 enrollments-to-date and was delivering about 3,000 courses per month.

Our current view is that the market is growing as a result of an increased awareness of the value and the major benefits that originate with internet-based education and training.

Our 1998 Fiscal Year began with the challenge of adjusting the pricing method for the VCampus® technology platform and the related course usage. We developed and introduced a subscription-based service model that established the customer’s minimum monthly dollar commitment for course usage. Additional benefits to the subscription model included the bundling of the VCampus® delivery services. The introduction of entry level pricing at a minimum of $5,000 per month was seen as an attractive option for departmental managers of the enterprise. We subsequently entered into approximately twenty agreements with major organizations over a period of nine months. The response to the subscription business model has been good, as indicated by the quarterly growth in online tuition revenues. In fact, online tuition revenues almost doubled during the last half of the year when compared to the first half of 1998.

This positive trend is continuing as we move into 1999. In short, the coming year looks promising as the market becomes increasingly aware of the benefits of internet-based education and training. The tuition backlog has shown similar growth.

In addition to the pricing changes, the Company reorganized its management team and cut operating costs by more than 50% to meet the challenges of matching corporate growth with corporate profitability. The impact of these cost-cutting efforts are clearly visible in these charts showing decline in our headcount, our operating costs and our liabilities over the four quarters of 1998. This transition is nearing its completion while we continue to add leadership and depth to the management team.

A notable aspect of our business is the recognition that our core business, the online courseware delivery segment operating under the VCampus® trademark, is growing stronger and faster than the traditional, or legacy, product areas. With that in mind, during the fourth quarter of 1998, the Company announced plans to divest our non-online businesses—the legacy businesses—to respond to the growing demand for online training.

We were successful in selling the Ivy Software business in September 1998 and followed that transaction with the sale of HTR’s consulting division in December 1998. We have also signed a letter of intent to sell the Knowledge-works business of HTR during the second quarter of 1999, as well as engaged the services of an investment banking firm to help with our planned divestiture of the instructor-led training businesses. These divestitures will permit our executive team to focus their time and energy toward growing the overall rate of online course usage and increasing the related customer base. These steps, which we expect to complete by the end of the second quarter of 1999, will move us out of the business sectors that fall within the legacy enterprise operations and move us quickly toward our goal of positioning ourselves as a world class internet-based solutions company.

I strongly believe that the Global 2000 corporate marketplace and the higher education sector are ready to reallocate resources to energize and implement their online learning programs. The Company is prepared to deliver our award winning education and training solutions to an eager and receptive audience. You can be assured that UOL is well positioned as the leader who has the most experience serving more web-based courses to more students than any other company in the world.

Sincerely,

Narasimhan P. “Nat” Kannan
Chairman and Chief Executive Officer

Michael Anderson
President and Chief Operating Officer

WHAT OUR CUSTOMERS ARE SAYING ABOUT US...

“All-Phase has found web-based training via the UOL VCampus to be both efficient and cost-effective for getting training to numerous employees in our union and geographically remote locations.”

Connie Yohn
Training Manager
All-Phase Electric Supply Co., Benton Harbor, MI

WHAT OUR CUSTOMERS ARE SAYING ABOUT US...

“We have received responsive, friendly support. Perhaps more importantly, the UOL VCampus® interface is intuitive and the tools are user-friendly so that you do not have to be hand-held through the training or course development process.”

Mary Donald
Manager, Administrative & Support Professional Development
A.T. Kearney Inc., Chicago, IL
The Future is Web-based Education

Convert Travel Costs to Web Savings

We know that a large slice of the training budget relates to the heavy expenditures for travel and lodging. Companies normally spend great sums of money to transport and assemble their people for centralized training and product roll-outs. That is why we introduced the VCampus web-based training platform and were the first to offer big savings in the delivery of education and training.

With Experience

For more than a decade, we have helped major corporations and academic institutions deliver learning experiences to students and business-related audiences in less time and for less money than other methods. We offer a mission-critical facility that handles every detail of a sophisticated training, administration and student management platform—the VCampus.

And Value Added Capability

We provide all the tools—the Internet hosting servers, the student registration, tracking and testing software, the engineers, the technical support...in short, everything your business needs to get a complete online education in place...quickly, efficiently and professionally.

To Benefit from On-demand, Online Education

Our client companies derive competitive benefits from the VCampus technology because they can reach large student groups at any time and can update the courseware products immediately. With a personalized Internet-based classroom and a visibly-enhanced corporate personality, our clients are adding life and style to internally developed training programs.