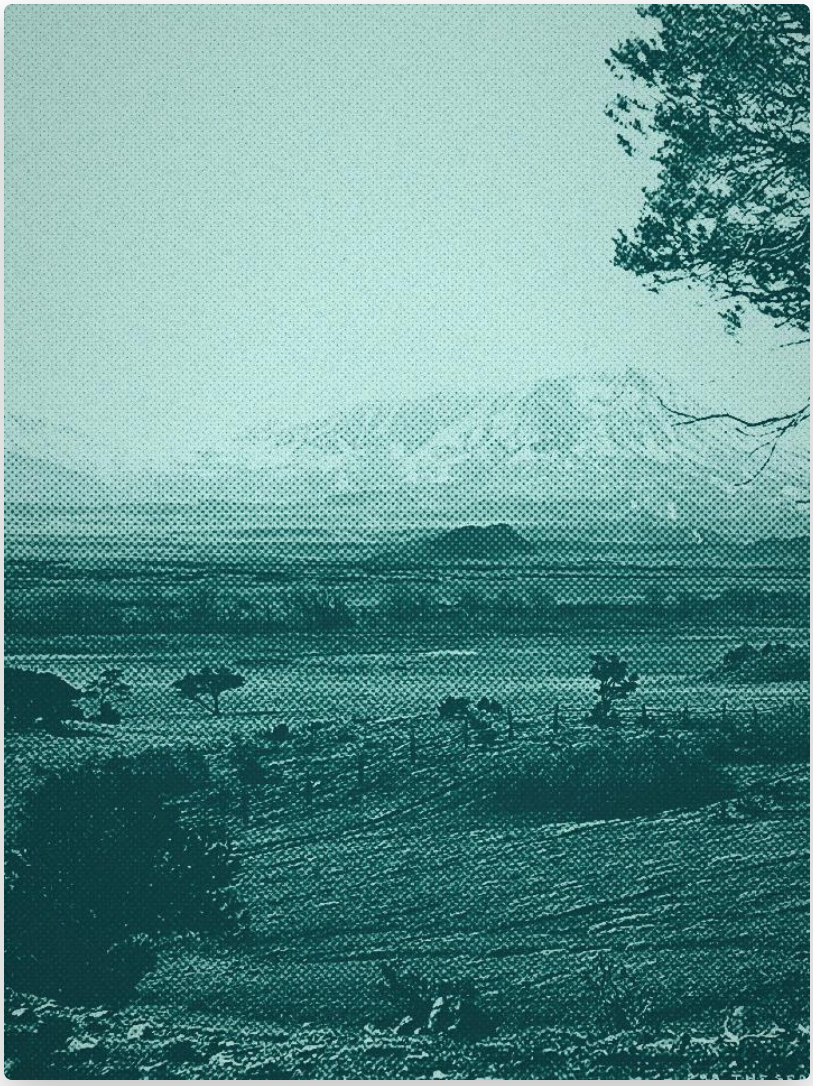
FORM S-1 · REGISTRATION STATEMENT

Verio Inc

IPO priced 1998-05-12 · $23.00 a share · VRIO



From S1 Directory · www.s1directory.com/s1/verio-inc/ · Source: https://www.sec.gov/Archives/edgar/data/1040956/000103570498000154/0001035704-98-000154.txt

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 27, 1998 REGISTRATION NO. 333- SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 VERIO INC. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	7375	84-1339720
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

VERIO INC. 8005 SOUTH CHESTER STREET SUITE 200 ENGLEWOOD, COLORADO 80112 (303) 645-1900 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) JUSTIN L. JASCHKE CHIEF EXECUTIVE OFFICER VERIO INC. 8005 SOUTH CHESTER STREET, SUITE 200 ENGLEWOOD, COLORADO 80112 (303) 645-1900 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE) COPIES TO:

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SAN FRANCISCO, CALIFORNIA 94105	8005 SOUTH CHESTER STREET	NEW YORK, NEW YORK 10005
(415) 268-7000	SUITE 200	(212) 701-3000
	ENGLEWOOD, COLORADO 80112	
	(303) 645-1900	

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

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 (THE "SECURITIES ACT"), PLEASE CHECK THE FOLLOWING BOX. [ ] 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 A 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. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	NUMBER OF SHARES TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
COMMON STOCK, PAR VALUE $.001 PER SHARE.....			$100,000,000	$29,500

(1) ESTIMATED SOLELY FOR PURPOSES OF CALCULATING THE REGISTRATION FEE PURSUANT TO RULE 457(C) UNDER THE SECURITIES ACT.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED FEBRUARY 27, 1998

PROSPECTUS

SHARES

LOGO

COMMON STOCK ALL OF THE SHARES OF COMMON STOCK (THE "SHARES") OFFERED HEREBY ARE BEING SOLD BY VERIO INC. (THE "COMPANY" OR "VERIO"). PRIOR TO THE OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $ AND $ PER SHARE. SEE "UNDERWRITING" FOR INFORMATION RELATING TO THE FACTORS CONSIDERED IN DETERMINING THE INITIAL PUBLIC OFFERING PRICE. APPLICATION WILL BE MADE TO HAVE THE COMMON STOCK APPROVED FOR LISTING ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "VRIO."

PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY MATTERS DISCUSSED UNDER THE CAPTION "RISK FACTORS" BEGINNING ON PAGE 8.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)
Per Share	$	$	$
Total(3)	$	$	$

(1) FOR INFORMATION REGARDING INDEMNIFICATION OF THE UNDERWRITERS SEE "UNDERWRITING."

(2) BEFORE DEDUCTING EXPENSES PAYABLE BY THE COMPANY, ESTIMATED AT $.

(3) THE COMPANY HAS GRANTED TO THE UNDERWRITERS A 30-DAY OPTION TO PURCHASE UP TO AN AGGREGATE OF ADDITIONAL SHARES OF COMMON STOCK SOLELY TO COVER OVER-ALLOTMENTS, IF ANY. SEE "UNDERWRITING." IF SUCH OPTION IS EXERCISED IN FULL, THE TOTAL PRICE TO PUBLIC, UNDERWRITING DISCOUNT AND PROCEEDS TO COMPANY WILL BE $, $ AND $, RESPECTIVELY.

THE SHARES OF COMMON STOCK ARE BEING OFFERED BY THE SEVERAL UNDERWRITERS NAMED HEREIN, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THEM AND SUBJECT TO CERTAIN CONDITIONS. IT IS EXPECTED THAT CERTIFICATES FOR THE SHARES OFFERED HEREBY WILL BE AVAILABLE FOR DELIVERY ON OR ABOUT , 1998 AT THE OFFICES OF SMITH BARNEY INC., 333 WEST 34TH STREET, NEW YORK, NEW YORK 10001. SALOMON SMITH BARNEY CREDIT SUISSE FIRST BOSTON DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION , 1998.

[NETWORK MAP]

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SHARES, INCLUDING ENTERING STABILIZING BIDS, EFFECTING SYNDICATE COVERING TRANSACTIONS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS PROSPECTUS UNDER "SUMMARY," "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND "BUSINESS," IN ADDITION TO CERTAIN STATEMENTS CONTAINED ELSEWHERE IN THIS PROSPECTUS, ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 (THE "REFORM ACT") AND ARE THUS PROSPECTIVE. SUCH FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM FUTURE RESULTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE MOST SIGNIFICANT OF SUCH RISKS, UNCERTAINTIES AND OTHER FACTORS ARE DISCUSSED UNDER THE HEADING "RISK FACTORS," BEGINNING ON PAGE 8 OF THIS PROSPECTUS, AND PROSPECTIVE INVESTORS ARE URGED TO CAREFULLY CONSIDER SUCH FACTORS. THE "SAFE-HARBOR" PROTECTIONS OF THE REFORM ACT ARE NOT AVAILABLE TO INITIAL PUBLIC OFFERINGS, INCLUDING THE OFFERING. 2

Prospectus Summary

The following is a summary of certain information contained elsewhere in this Prospectus. Reference is made to, and this Summary is qualified in its entirety by, the more detailed information, including the Company's Consolidated Financial Statements and notes thereto and the Unaudited Pro Forma Condensed Combined Financial Statements and notes thereto, each as contained herein. Unless otherwise indicated, the information in this Prospectus (i) assumes that the Underwriters' over-allotment option will not be exercised, (ii) gives effect to the conversion of the Company's Series A, Series B, Series C and Series D-1 Preferred Stock, (iii) gives effect to the filing of the Company's amended Certificate of Incorporation, which will occur prior to the consummation of the Offering, and (iv) gives effect to an increase in the number of shares of Common Stock issuable pursuant to options that may be granted under the Company's 1998 Stock Incentive Plan upon the consummation of the Offering. Unless the context otherwise requires, references herein to (i) "Verio" or the "Company" are to Verio Inc., a Delaware corporation (formerly known as World-Net Access, Inc.), and its subsidiaries, and (ii) the "Verio ISPs" are to those Internet service providers in which Verio has a direct or indirect equity investment, including subsidiaries and minority investments. Information concerning those entities in which the Company does not have a majority interest has been provided by those entities and is believed by the Company to be accurate. Verio and the Verio logo are trademarks of the Company. This Prospectus may contain trademarks, trade names and service marks of other parties. Capitalized terms used in this Prospectus, which are not otherwise defined herein, have the respective meanings ascribed to them in "Glossary of Terms." See "Risk Factors -- Forward-Looking Statements" for certain information relating to statements contained in this Prospectus that are not historical facts.

The Company

Verio is a leading national provider of Internet connectivity and enhanced Internet services to small and medium sized businesses. Since its inception in March 1996, the Company has rapidly established a national presence through the acquisition, integration, and growth of local Internet service providers ("ISPs") with a business customer focus. Verio believes that small and medium sized businesses represent an attractive target market for the provision of Internet services due to this market's low current penetration levels and customer churn rates, and the expanding Internet needs of these

businesses. Because of their limited internal technical resources, small and medium sized businesses also typically require hands-on local support and highly reliable turnkey solutions for mission critical applications. Verio further believes that these needs currently are underserved by both the national and local ISPs. While national ISPs lack the local presence to provide customized, hands-on service, local ISPs typically lack the scale and resources required to provide dedicated, high-capacity Internet access, around-the-clock support and tailored product offerings at competitive prices.

The Company believes it has a unique competitive advantage in serving small and medium sized business customers through the combination of the technical competency, hands-on support and entrepreneurial culture of locally based ISPs with the quality and economic efficiency of Verio's national network, operational infrastructure and financial strength. Verio has quickly built critical mass by acquiring or making significant investments in over 30 ISPs that provide a comprehensive range of Internet connectivity and enhanced products and services to over 80,000 customers in 33 of the top 50 Metropolitan Statistical Areas ("MSAs") in the country, with total combined annualized revenues of approximately $90.4 million based on the three months ended December 31, 1997. The Company integrates and optimizes the operations of these ISPs by consolidating their operations into regional operating units with centralized regional management, connecting their local networks to Verio's high-speed, highly reliable national backbone, and providing them with Verio's integrated national support services.

Total ISP revenues in the United States are projected to grow from $3.3 billion in 1996 to $18.3 billion in 2000, according to International Data Corporation ("IDC"). Industry analysts have reported that small and medium sized businesses represent a potential market of over seven million customers in the United States, and use of the Internet by this market segment is expected to grow substantially from its current low level of market penetration. IDC predicts that dedicated connections to the Internet for small and medium sized businesses will grow from approximately 90,000 in 1996 to just under 800,000 in 2000, representing a 73% compounded annual growth rate. Small and medium sized businesses generally seek an ISP with locally based personnel who are readily available to respond in-person to technical issues, who can assist in developing 3 and implementing the customer's effective use of the Internet, and with whom they can establish a stable and long-term relationship. In addition, they are increasingly reliant on enhanced product offerings that address their specific business needs on a cost-effective basis, allowing them to compete with larger companies. For example, IDC estimates Web hosting revenues from small and medium sized businesses will grow from $84 million in 1996 to over $3.4 billion in 2000, representing 95% of the total Web hosting market.

The rapid development and growth of the Internet has resulted in a highly fragmented industry of over 4,000 national and local ISPs in the United States, with no dominant ISP serving the needs of small and medium sized businesses. Independent regional and local ISPs successfully captured approximately one-half of this market, despite the substantially greater resources of the national providers. However, rising costs and increasing demands from business customers have made it more difficult for the small ISP to meet its customer's demands on a cost-effective basis. Verio believes that independent regional and local ISPs, facing these competitive pressures, will continue to be attracted to and benefit from the consolidation opportunity provided by Verio.

The goal of the Company is to be the dominant, full-service national provider of Internet connectivity and enhanced Internet services to small and medium sized businesses. Key elements of the Company's strategy in accomplishing this goal are to: (a) continue its role as the leading consolidator of independent ISPs by acquiring additional local and regional ISPs focused on the Company's target market; (b) integrate the operations of its ISPs and capture operational economies of scale by leveraging its national infrastructure and support services; (c) develop and offer additional high-margin enhanced services to increase revenues from existing and future customers; and (d) build customer loyalty and gain market share by expanding the Company's local technical, distribution and service capabilities and establishing national Verio brand name recognition.

Verio owns and operates a national network, providing a high bandwidth, highly reliable data transmission path connecting Verio's customers to the Internet. The Company's national network architecture is based on a combination of ATM and clear channel circuits operating at DS-3 and OC-3 speeds. The network interconnects more than 15 national nodes and over 180 local points of presence ("POPs") across the United States. The Company believes that aggregating the bandwidth and capacity requirements of each Verio ISP onto one national network provides operational control and efficiency, reduces costs, provides redundancy, and results in a higher quality service, thereby addressing some of the most significant challenges that an ISP faces in supporting its customers. Verio's national infrastructure also incorporates several other elements critical to maintaining the highest quality Internet service, such as peering relationships with other national ISPs, sophisticated network management tools, and a comprehensive range of national services to support its regional operations. These services include 7-day X 24-hour customer technical support, financial information management through a central, standardized accounting system, a sophisticated billing and collections system, and national marketing and product development programs. The Company continues to rollout its national infrastructure and support services to its ISPs. Of the over 30 Verio ISPs, 13 now invoice their customers through Verio's national billing service, 19 take advantage of Verio's customer technical support, 20 are linked to Verio's national backbone, 15 utilize Verio's national accounting system, and the network operations of 17 Verio ISPs are monitored by Verio's national Network Operations Center ("NOC").

Verio believes that a critical factor in the successful implementation of its business strategy is the quality of its management team and Board of Directors. The Company's senior management team and Board of Directors have previously successfully executed similar consolidation strategies and have considerable experience in the management and growth of recurring revenue-based telecommunications businesses. Management believes that its deployment of similar systems and services in other emerging telecommunications industries can be leveraged to significantly improve the quality of services currently available in the Internet service industry.

Recent Developments

Since December 31, 1997, the Company has completed the acquisition of all of the remaining equity (each, a "Buyout") of 7 of the Verio ISPs. Verio expects to consummate the Buyouts of all but two of its remaining non-wholly owned ISPs prior to the consummation of the Offering. Verio also is in the process of integrating the operations of the Verio ISPs in each region into regional operating units.

The Company continues to evaluate additional ISPs for investment or acquisition, and has executed a non-binding letter of intent to acquire 100% of the stock of an additional ISP. The annualized revenue attributable to this proposed ISP acquisition is estimated to be approximately $5.3 million, based solely on preliminary information provided by this ISP. These revenues are not reflected in the pro forma financial information contained herein. The Company is in the process of conducting due diligence and negotiating the definitive terms and documentation for this additional acquisition. There can be no assurance that the Company will be able to reach final agreement on acceptable terms and conditions with respect to the proposed acquisition or that this acquisition can be completed.

Verio has received commitments from a group of commercial lending institutions to provide an aggregate of up to $57.5 million pursuant to a two-year revolving credit financing facility (the "Bank Facility"). The Company is in the process of negotiating the definitive terms and conditions and final documentation for the Bank Facility. Chase Manhattan Bank has committed to serve as agent for the lenders in the Bank Facility. Verio also is currently considering the private placement of approximately $100.0 million of senior notes. There can be no assurance that the Company will be able to complete either the Bank Facility or the $100.0 million note offering on terms acceptable to the Company.

The Company has signed a non-binding memorandum of understanding for a $100.0 million, seven year commitment with a provider of long haul telecommunications services in order to reduce the per unit costs of such services. The Company has the right to prepay its commitment, which would allow the capitalization of the costs (to the extent prepaid) under this contract.

The Company's headquarters is currently located at 8005 South Chester Street, Suite 200, Englewood, Colorado 80112. The Company's phone number is (303) 645-1900.

The Offering

Common Stock offered by the Company..... shares.

Common Stock to be outstanding after the Offering..... shares(1).

Use of Proceeds..... The Company will receive approximately $ million of net proceeds (after deducting the Underwriters' discount and expenses related to the Offering) from the sale of Shares. The net proceeds received by the Company will be used to further the Company's acquisition and investment strategy, to continue the development and implementation of the national backbone, customer care center, network operations center and billing and accounting services, and to support the Company's general working capital purposes. See "Use of Proceeds."

Proposed Nasdaq National Market Symbol..... VRIO (1) Based on the number of shares of Common Stock outstanding at December 31, 1997. Includes 1,704,000 shares of Common Stock issuable upon conversion of the Series D-1 Preferred Stock issued and expected to be issued in connection with the acquisitions and Buyouts completed or probable subsequent to such date. Excludes (i) 3,750,000 shares of Common Stock reserved for issuance under the Company's stock option plans as of such date, of which 2,237,050 shares were issuable upon exercise of outstanding options at a weighted average exercise price of $5.55 per share, (ii) 2,112,480 shares of Common Stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $.01 per share and (iii) 3,000,000 shares of Common Stock reserved for issuance under the Company's 1998 Employee Stock Purchase Plan. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes to Consolidated Financial Statements.

SUMMARY CONSOLIDATED FINANCIAL DATA (dollars in thousands, except per share amounts) The summary historical consolidated financial data as of and for the period from inception (March 1, 1996) to December 31, 1996 and as of and for the year ended December 31, 1997 have been derived from the audited Consolidated Financial Statements of the Company included elsewhere in this Prospectus.

The information set forth below should be read in conjunction with the Unaudited Pro Forma Condensed Combined Financial Statements and the historical Consolidated Financial Statements of the Company and the notes thereto included elsewhere in this Prospectus. Results of operations for the year ended December 31, 1997 are not necessarily indicative of results of operations for future periods. The Company's development and expansion activities, including acquisitions, during the periods shown below may significantly affect the comparability of this data from one period to another. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	HISTORICAL		PRO FORMA(1)
	PERIOD FROM INCEPTION (MARCH 1, 1996) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1997
STATEMENT OF OPERATIONS DATA:			
Total revenue.....	$ 2,365	$ 35,692	$ 77,958
Total costs and expenses.....	8,645	75,981	131,583
Loss from operations.....	$ (6,280)	$(40,289)	$ (53,625)
Net loss attributable to common shareholders...	$ (5,145)	$(46,329)	$ (59,972)
Loss per common share -- basic and diluted(2).....	$ (5.29)	$ (40.47)	$ (52.39)
Weighted average common shares outstanding -- basic and diluted(2).....	971,748	1,144,685	1,144,685
OTHER DATA:			
EBITDA(3).....	$ (5,611)	$(29,665)	$ (31,106)
Capital expenditures(4).....	3,430	14,547	14,547

	THREE MONTHS ENDED			
	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997
QUARTERLY STATEMENT OF OPERATIONS DATA:				
Total revenue.....	$ 4,414	$ 8,249	$ 9,624	$

13,405				
Total costs and expenses	10,006	17,103	20,365	
28,507				
Loss from operations	$(5,592)	$(8,854)	$(10,741)	$
(15,102)				
Net loss attributable to common shareholders	$(4,677)	$(8,120)	$(12,762)	$
(20,770)				
OTHER DATA:				
EBITDA(3)	$(4,346)	$(6,306)	$ (7,798)	$
(11,215)				

	AS OF DECEMBER 31, 1997	PRO FORMA	HISTORICAL PRO FORMA(1)	AS ADJUSTED(5)
BALANCE SHEET DATA:				
Cash and cash equivalents	$ 72,586	$ 52,139		
Restricted cash and securities	40,554	40,554		
Goodwill, net	83,216	127,810		
Total assets	246,471	272,560		
Long-term debt and capital lease obligations, net of current portions	142,321	142,583		
Redeemable preferred stock	97,249	97,249		
Stockholders' equity (deficit)	(27,001)	(1,441)		

(1) Pro forma for the completed and proposed acquisitions and Buyouts as if they had occurred on December 31, 1997 for balance sheet purposes and on January 1, 1997 for statement of operations data purposes. See "Unaudited Pro Forma Condensed Combined Financial Statements."

(2) Excludes the effect of the conversion of Preferred Stock into Common Stock upon completion of the Offering. Assuming the Preferred Stock had converted to Common Stock as of January 1, 1997, historical and pro forma loss per share of Common Stock for 1997 would have been $(2.26) and $(2.91) per share, respectively, based on 20,496,220 weighted average shares of Common Stock.

(3) EBITDA represents earnings (loss) from operations before interest, taxes, depreciation, amortization and provision for loss on write-offs of investments in ISPs and fixed assets. The primary measure of operating performance is net earnings (loss). Although EBITDA is a measure commonly used in the Company's industry, it should not be construed as an alternative to net earnings (loss), determined in accordance with generally accepted accounting principles ("GAAP"), as an indicator of operating performance or as an alternative to cash flows from operating activities, determined in accordance with GAAP.

(4) Excludes equipment and leasehold improvements acquired in business acquisitions.

(5) As adjusted to give effect to the Offering after deducting the Underwriters' discounts and commissions and estimated expenses, and conversion of the preferred stock into common stock upon completion of the Offering.

Risk Factors

Prospective purchasers of the Shares should carefully consider the following risk factors, as well as the other information contained in this Prospectus before making an investment in the Shares. This Prospectus contains statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in

this Prospectus and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers primarily with respect to the future operating performance of the Company. Prospective purchasers of the Shares are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. The accompanying information contained in this Prospectus, including the information set forth below, identifies important factors that could cause such differences. See "-- Forward-Looking Statements" below.

History of Losses; No Assurance of Profitability

The Company was formed in March 1996. The Company has incurred net losses since its inception, and management expects to incur significant additional losses as the Company continues its investment and acquisition program as well as the building of its national network operations. Prospective investors have limited operating and financial data about the Company upon which to base an evaluation of the Company's performance and an investment in the Shares offered hereby. For the period from inception to December 31, 1996 and the year ended December 31, 1997, the Company reported net losses of $5.1 million and $46.3 million, respectively. From inception through December 31, 1997, the Company reported cumulative cash used by operating activities of $37.6 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company expects to generate negative operating cash flow for at least the next several years while it continues to acquire and invest in ISPs. The extent to which the Company experiences negative cash flow will depend upon a number of factors including the number and size of its acquisitions and investments, the ability to generate increasing revenues and cash flow, the amount of expenditures incurred at the corporate and national level, the timing of the Buyouts and any potential adverse regulatory developments. The Company will be dependent on various financing sources to fund its growth as well as continued losses from operations. There can be no assurance that the Company will achieve or sustain positive operating cash flow or generate net income in the future. To achieve profitability, the Company must, among other things, develop and market products and services which are accepted on a broad commercial basis. Given the Company's limited operating history, there can be no assurance that the Company will ever achieve broad commercial acceptance or profitability. See "-- Competition," "-- Dependence on the Internet; Uncertain Adoption of Internet as Medium of Commerce and Communications" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Fluctuations in Operating Results

The Company's operating results have fluctuated in the past and may in the future fluctuate significantly depending upon a variety of factors, including the incurrence of capital costs and costs associated with the Buyouts and the introduction of value-added enhanced services and new services by the Company. Additional factors that may contribute to variability of operating results include: the

pricing and mix of services offered by the Company; customer retention rate; changes in pricing policies and product offerings by the Company's competitors; growth in demand for network and Internet access services; one-time costs associated with regional consolidation; and general telecommunications services' performance and availability. The Company has also experienced seasonal variation in Internet use and, therefore, revenue streams may fluctuate accordingly. In response to competitive pressures, the Company may take certain pricing or marketing actions that could have a material adverse effect on the Company's business, financial condition and results of operations. As a result, variations in the timing and amounts of revenues could have a material adverse effect on the Company's quarterly operating results. Due to the foregoing factors, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and that such comparisons cannot be relied upon as indicators of future performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Competition; Pricing Fluctuation

The market for Internet connectivity and related services is extremely competitive. The Company anticipates that competition will continue to intensify as the use of the Internet grows. The tremendous growth and potential market size of the Internet access market has attracted many new start-ups as well as existing businesses from different industries. Current and prospective competitors include, in addition to other national, regional and local ISPs, long distance and local exchange telecommunications companies, cable television companies, direct broadcast satellite and wireless communications providers, and on-line service providers.

The Company's current primary competitors include other ISPs with a significant national presence which focus on business customers, such as UUNet, GTE Internetworking (formerly BBN), PSINet, Concentric Network and DIGEX. While the Company believes that its level of local service and support and target market focus distinguish it from these competitors, some of these competitors have a significantly greater market presence, brand recognition, and financial, technical and personnel resources than the Company, and have extensive coast-to-coast Internet backbones. The Company also competes with unaffiliated regional and local ISPs in its targeted geographic regions.

All of the major long distance companies (also known as interexchange carriers or IXCs), including AT&T, MCI, and Sprint, offer Internet access services and compete with the Company. The recent sweeping reforms in the federal regulation of the telecommunications industry have created greater opportunities for local exchange carriers ("LECs"), including the Regional Bell Operating Companies ("RBOCs"), to enter the Internet connectivity market. In order to address the Internet connectivity requirements of the current business customers of long distance and local carriers, the Company believes that there is a move toward horizontal integration through acquisitions of, joint ventures with, and the wholesale purchase of connectivity from, ISPs. The WorldCom/MFS/UUNet consolidation, the NETCOM/ICG merger, the Intermedia/DIGEX merger and GTE's acquisition of BBN are indicative of this trend. Accordingly, Verio expects that it will experience increased competition from the traditional telecommunications carriers. Many of these telecommunications carriers, in addition to their

substantially greater network coverage, market presence, and financial, technical and personnel resources, also have large existing commercial customer bases. Furthermore, telecommunications providers may have the ability to bundle Internet access with basic local and long distance telecommunications services. Such bundling of services may have an adverse effect on the Company's ability to compete effectively with the telecommunications providers and may result in pricing pressure on the Company that would have an adverse effect on the Company's business, financial condition and results of operations.

Many of the major cable companies have announced that they are exploring the possibility of offering Internet connectivity, relying on the viability of cable modems and economical upgrades to their networks. MediaOne Group and TCI have recently announced trials to provide Internet cable service to their residential customers in select areas. Several announcements also have recently been made by other alternative service companies approaching the Internet connectivity market with various wireless terrestrial and satellite-based service technologies. These include Hughes Network System's DirecPC that provides high-speed data through direct broadcast satellite technology; CAI Wireless System's announcement of an MMDS wireless cable operator launching data services via 2.5 to 2.7 GHz and high-speed wireless modem technology; Cellularvision's announcement that it is offering Internet access via high-speed wireless LMDS technology; and Winstar, which currently offers high-speed Internet access to business customers over the 38 GHz spectrum.

The predominant on-line service providers, including America Online, CompuServe, Microsoft Network, and Prodigy, have all entered the Internet access business by engineering their current proprietary networks to include Internet access capabilities. The Company competes to a lesser extent with these on-line service providers.

Recently, there have been several announcements regarding the planned deployment of broadband services for high speed Internet access by cable and telephone companies through new technologies such as cable modems and xDSL. While these providers have initially targeted the residential consumer, it is likely that their target markets will expand to encompass the Company's targeted markets, which may significantly affect the pricing of the Company's service offerings.

As a result of an increase in the number of competitors, and vertical and horizontal integration in the industry, the Company currently encounters and expects to encounter significant pricing pressure and other competition in the future. Advances in technology as well as changes in the marketplace and the regulatory environment are constantly occurring, and the Company cannot predict the effect that ongoing or future developments may have on the Company or the pricing of its products and services. See "-- Dependence on the Internet; Uncertain Adoption of Internet as a Medium of Commerce and Communications," "-- Potential Liability for Information Disseminated Over Network; Regulatory Matters" and "-- Fluctuations in Operating Results."

Management of Growth; Integration of Acquisitions and Investments

The Company is currently experiencing a period of rapid expansion with the acquisition and integration of its ISPs. The rapid growth of the Company's business and its product and service offerings has placed, and is likely to continue to place, a significant strain on the Company's managerial, operating, financial and other resources. The Company's future performance will depend, in part, upon its ability to manage its growth effectively, which will require that the Company implement additional management information systems capabilities, further develop its operating, administrative and financial and accounting systems and controls, improve coordination between engineering, accounting, finance, marketing and operations, and hire and train additional personnel. Failure by the Company to develop adequate operational and control systems or to attract and retain highly qualified management, financial, technical, sales and marketing and customer care personnel could materially adversely affect the Company's ability to integrate the ISPs it has acquired and continues to acquire. While the Company anticipates that it will recognize various economies and efficiencies of scale as a result of the Buyouts and the integration of the businesses of the Verio ISPs, the process of consolidating the businesses and implementing the strategic integration of the Company and its ISPs, even if successful, may take a significant period of time, will place a significant strain on the Company's resources, and could subject the Company to additional expenses during the integration process. Furthermore, the Company's performance will depend on the internal growth generated through its ISP operations. As a result, there can be no assurance that the Company will be able to integrate the Verio ISPs successfully or in a timely manner in accordance with its strategic objectives. Failure to integrate its ISPs or to manage effectively the growth of the Company would have a material adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE UPON IMPLEMENTATION OF NETWORK INFRASTRUCTURE; ESTABLISHMENT AND MAINTENANCE OF PEERING RELATIONSHIPS The Company's success will depend upon its ability to complete the implementation of and to continue to expand its national network infrastructure and support services in order to supply sufficient geographic reach, capacity, reliability and security at an acceptable cost. The continued development and expansion of the Company's national network will require that it enter into additional agreements, on acceptable terms and conditions, with the various providers of infrastructure capacity and equipment and support services. No assurance can be given that any or all of the requisite agreements can be obtained on satisfactory terms and conditions. See "Business -- Verio National Network -- Peering Relationships."

In addition, the establishment and maintenance of peering relationships with other ISPs is necessary in order to exchange traffic with other ISPs without having to pay transit costs. The basis on which the large national ISPs make peering available or impose settlement charges is evolving as the provision of Internet access and related services has expanded and the dominance of a small group of national ISPs has driven corporate peering policies. Recently, companies that have previously offered peering have cut back or eliminated peering relationships and are establishing new, more restrictive criteria for peering. Furthermore, if 10 increasing requirements associated with maintaining peering with the

major national ISPs develop, the Company may have to comply with those additional requirements in order to continue to maintain its peering relationships. The Company also anticipates that future expansions and adaptations of its network infrastructure may be necessary in order to respond to growth in the number of customers served, increased demands to transmit larger amounts of data and changes to its customers' product and service requirements. The expansion and adaptation of the Company's network infrastructure will require substantial financial, operational and managerial resources. There can be no assurance that the Company will be able to expand or adapt its network infrastructure to meet the industry's evolving standards or its customers' growing demands and changing requirements on a timely basis, at a commercially reasonable cost, or at all, or that the Company will be able to deploy successfully any expanded and adapted network infrastructure. Failure to maintain peering relationships or establish new ones, if necessary, would cause the Company to incur additional operating expenditures which would have a material adverse effect on the Company's business, financial condition and results of operations.

Challenges of Growth by Acquisitions

The Company's business strategy is dependent, in part, upon its ability to continue to successfully identify and acquire ISPs that meet the Company's investment criteria. The Company is continuing to seek and evaluate qualified ISP candidates in order to optimize its market presence in the regions it currently serves, and to expand its focus to encompass the remaining top 50 MSAs not currently served by the Verio ISPs. In pursuing these opportunities, the Company may compete with other communications companies with similar acquisition strategies, many of which may be larger and have greater financial and other resources than the Company. Competition for independent ISPs is based on a number of factors, including price, terms and conditions, size and access to capital, ability to offer cash, stock, or other forms of consideration and other matters. No assurance can be given that the Company will be able to successfully identify suitable ISPs or, once identified, will be able to consummate an acquisition of or investment in those targeted ISPs on terms and conditions acceptable to the Company. See "Business -- The Verio Strategy" and "-- Competition." Further, the Company's ability to consummate transactions with ISPs that it identifies will require significant financial resources. Failure to raise and generate sufficient funds may require the Company to delay or abandon some of its planned future expansion or expenditures, which could have a material adverse effect on the Company's growth. See "-- Requirements for Additional Capital."

Substantial Indebtedness; Effect of Financial Leverage

The Company has indebtedness that is substantial in relation to its stockholders' equity and cash flow. As of December 31, 1997, the Company had an aggregate of approximately $142.3 million of long-term indebtedness outstanding, representing 67% of total capitalization. In addition, the Company currently is negotiating the terms of a $57.5 million revolving credit facility and is pursuing a possible issuance of approximately $100.0 million of senior notes. See "-- Requirements for Additional Capital." As a result of the substantial current and anticipated future indebtedness of the Company, fixed

charges of the Company are expected to exceed its earnings for the foreseeable future. Substantial leverage poses the risk that the Company may not be able to generate sufficient cash flow to service its indebtedness, or to adequately fund its operations. In particular, there can be no assurance that the Company's operating cash flow will be sufficient to pay interest on the $150.0 million 13 1/2% Senior Notes due 2004 (the "1997 Notes") following the termination of the escrow arrangement for the 1997 Notes, or to meet its debt service obligations under the currently contemplated Bank Facility or senior note placement, should either of those financings be implemented. The leveraged nature of the Company also could limit the ability of the Company to effect future financings or may otherwise restrict the Company's operations and growth.

Requirements for Additional Capital

The Company's operations have required and will continue to require substantial capital for investments in ISP operations, including the acquisition of or investments in additional ISPs, the deployment of the Company's national network and infrastructure and the funding of capital expenditures for expansion of services and operating losses. The Company may need additional amounts to fund its operating losses and those of the Verio ISPs, which amounts cannot be determined. Over the longer term, it is likely that the Company will require substantial additional funds to continue to fund the Company's investment and acquisition program as well as product development, marketing, sales and customer support capabilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

The Company expects to meet its additional capital needs with the proceeds from sales or issuance of equity securities, credit facilities and other borrowings, lease financings, and sales of additional debt securities. The failure to raise and generate sufficient funds may require the Company to delay or abandon some of its planned future expansion or expenditures, which could have a material adverse effect on the Company's growth and its ability to compete in the Internet industry. Verio has received commitments from a group of commercial lending institutions to provide an aggregate of up to $57.5 million pursuant to the Bank Facility. The Company is in the process of negotiating the definitive terms and conditions and final documentation for the Bank Facility. Chase Manhattan Bank has committed to serve as agent for the lenders in the Bank Facility. In addition, Verio also is currently considering the private placement of approximately $100.0 million in senior notes. There can be no assurance that the Company will negotiate final terms and conditions that are acceptable to the Company with respect to, or to consummate, either of such financing efforts. Further, no assurances can be given that the Company will have sufficient cash flow available to maintain its current or future growth plans or operations.

Dependence on Key Personnel

The Company is highly dependent upon the efforts of its senior management team, the loss of any of whom could impede the achievement of product development and marketing objectives and would have a material adverse effect on the Company. The Company believes that its future success will depend in large part on its ability to attract and retain qualified technical and marketing personnel for whom there is intense competition in the areas of the Company's activities. There can be no assurance that the Company will be able to attract and retain the personnel necessary for the development and integration of its business. Delays in hiring such personnel could delay the achievement of development and marketing objectives. The loss of the services of key personnel or the failure to attract additional personnel as required could have a material adverse effect on the Company's business, financial condition and results of operations.

Risk of System Failure

The Company's operations are dependent upon its ability to protect its network infrastructure against damage from fire, earthquakes, floods, power loss, telecommunications failures and similar events or to construct networks that are not vulnerable to the effects of such events. Significant portions of the Company's computer equipment, including components critical to the operation of its Internet backbone, are located at the Company's facility in Englewood, Colorado and the Company's NOC located in Dallas, Texas. Despite precautions taken by and planned by the Company, the occurrence of a natural disaster or other unanticipated problem at the Company's NOC or at a number of the Company's national nodes could cause interruptions in the services provided by the Company. The failure of a local POP would result in interruption of service to the customers served by such POP until necessary repairs were effected or replacement equipment were installed. Additionally, failure of the Company's telecommunications providers to provide the data communications capacity required by the Company as a result of natural disaster, operational disruption or for any other reason could cause interruptions in the services provided by the Company. Any damage or failure that causes interruptions in the Company's operations could have a material adverse effect on the Company's business, financial condition and results of operations.

Security Risks

Despite the implementation of security measures by the Company, networks are vulnerable to unauthorized access, computer viruses and other disruptive problems. ISPs have in the past experienced, and may in the future experience, interruptions in service as a result of the accidental or intentional actions of Internet 12 users, current and former employees or others. Unauthorized access could also potentially jeopardize the security of confidential information stored in the computer systems of the Company and its customers, which may result in liability of the Company to its customers and also may deter potential subscribers. Although the Company intends generally to continue to implement industry-standard security measures, such measures have been circumvented in

the past, and there can be no assurance that measures implemented by the Company will not be circumvented in the future. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to the Company's customers which could have a material adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE ON THE INTERNET; UNCERTAIN ADOPTION OF INTERNET AS A MEDIUM OF COMMERCE AND COMMUNICATIONS The Company's products and services are targeted toward users of the Internet, which has experienced rapid growth. As is typical in the case of a new and rapidly evolving industry characterized by rapidly changing technology, evolving industry standards and frequent new product and service introductions, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty. In addition, critical issues concerning the commercial use of the Internet remain unresolved and may impact the growth of Internet use, especially in the business market targeted by the Company. Despite growing interest in the many commercial uses of the Internet, many businesses have been deterred from purchasing Internet access services for a number of reasons, including, among others, inconsistent quality of service, lack of availability of cost-effective, high-speed options, a limited number of local access points for corporate users, inability to integrate business applications on the Internet, the need to deal with multiple and frequently incompatible vendors, inadequate protection of the confidentiality of stored data and information moving across the Internet, and a lack of tools to simplify Internet access and use. In particular, numerous published reports have indicated that a perceived lack of security of commercial data, such as credit card numbers, has significantly impeded commercial exploitation of the Internet to date, and there can be no assurance that encryption or other technologies will be developed that satisfactorily address these security concerns. Published reports have also indicated that capacity constraints caused by growth in the use of the Internet may, unless resolved, impede further development of the Internet to the extent that users experience delays, transmission errors and other difficulties. Further, the adoption of the Internet for commerce and communications, particularly by those individuals and enterprises which have historically relied upon alternative means of commerce and communication, generally requires the understanding and acceptance of a new way of conducting business and exchanging information. In particular, enterprises that have already invested substantial resources in other means of conducting commerce and exchanging information may be particularly reluctant or slow to adopt a new strategy that may make their existing personnel and infrastructure obsolete.

The Company is also at risk as a result of fundamental technological changes in the way Internet solutions may be marketed and delivered. Integrating technological advances may require substantial time and expense, and there can be no assurance that the Company will succeed in adapting its network infrastructure. While the Company believes that its plan of combining the scale and scope of a national operation with the local presence of its ISP operations offers significant advantages for commerce and communication over the Internet, there can be no assurance that commerce and communication over the Internet will become widespread, or that the Company's offered Internet

access and communications services will become widely adopted for these purposes. The failure of the market for business-related Internet solutions to continue to develop would adversely impact the Company's business, financial condition and results of operations.

In addition, new technologies or industry standards have the potential to replace or provide lower cost alternatives to the Company's existing products and services. The adoption of such new technologies or industry standards could render the Company's existing products and services obsolete and unmarketable. For example, the Company's services rely on the continued widespread commercial use of Transmission Control Protocol/Internet Protocol ("TCP/IP"). Alternative open and proprietary protocol standards that compete with TCP/IP, including proprietary protocols developed by IBM and Novell, Inc., have been or are being developed. If the market for Internet access services fails to develop, develops more slowly than expected, or becomes saturated with competitors, or if the Internet access and services offered by the Company and its ISPs are not broadly accepted, the Company's business, operating results and financial condition will be materially adversely affected.

Potential Liability for Information Disseminated Over Network; Regulatory Matters

The law relating to liability of on-line service providers and ISPs for information carried on or disseminated through their networks is currently unsettled. A number of lawsuits have sought to impose such liability for defamatory speech and infringement of copyrighted materials. Although some courts have ruled that the 1996 Telecommunications Act immunizes ISPs from liability for defamatory material carried on their facilities, there can be no assurance that other courts will take a similar approach. In one case, a state court held that an on-line service provider could be found liable for defamatory materials provided through its service, on the ground that the service provider exercised active editorial control over postings to its service. Other courts have held that on-line service providers and ISPs may, under certain circumstances, be subject to damages for copying or distributing copyrighted materials. Although the Supreme Court has declared the Communications Decency Act ("CDA") to be unconstitutional as it applies to the transmission of indecent on-line communications to minors, state and federal statutes continue to prohibit the on-line distribution of obscene materials. The imposition upon ISPs or Web server hosts of potential liability for materials carried on or disseminated through their systems could require the Company to implement measures to reduce its exposure to such liability. Such measures may require the expenditure of substantial resources or the discontinuation of certain product or service offerings, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

Although the Company is not currently subject to direct regulation by the Federal Communications Commission (the "FCC") or any other federal or state agency, changes in the regulatory environment relating to the Internet connectivity market, including regulatory changes which directly or indirectly affect telecommunications costs or increase the likelihood or scope of competition from the RBOCs or other telecommunications companies, could affect the prices at which the Company may sell its services. For example, proposed regulations at the FCC would require discounted Internet connectivity

rates for schools and libraries. Also, the FCC is considering whether ISPs should be required to pay access charges to local telephone companies for each minute that dial up users spend connected to ISPs through telephone company switches, and some telephone companies have requested similar relief from state regulatory commissions. The imposition of access charges would affect the Company's costs of serving dial up customers and could have a material adverse effect on the Company's business, operating results and financial condition.

Dependence Upon Suppliers; Limited Sources of Supply

The Company relies on other companies to supply certain key components of its network infrastructure, including telecommunications services and networking equipment which, in the quantities and quality demanded by the Company, are available only from limited sources. For example, the Company currently relies on Cisco Systems to supply routers critical to the Company's network, and the Company could be adversely affected if routers from Cisco were to become unavailable on commercially reasonable terms. Sprint, MCI and MFS, which are competitors of the Company, are the Company's primary providers of data communications facilities and network capacity. The Company is also dependent upon LECs, which often are competitors of the Company, to provide telecommunications services and lease physical space to the Company for routers, modems and other equipment. The Company has from time to time experienced delays in receiving telecommunications services, which can lead to the loss of customers or prospective customers. There can be no assurance that, on an ongoing basis, the Company will be able to obtain such services on the scale and within the time frames required by the Company at a commercially reasonable cost, or at all. Failure to obtain or continue to make use of such services and equipment would have a material adverse effect on the Company's business, operating results and financial condition.

Financial Information Concerning Completed and Probable Acquisitions

The ISPs targeted by the Company for acquisition typically do not have audited financial statements and have varying degrees of internal controls and detailed financial information. The pro forma financial 14 information in this Prospectus includes financial information concerning certain completed and probable acquisitions for which audited financial statements are not presently available. These companies are included in the "Pro Forma Financial Statements." While the Company believes such information to be reliable, the Company has only recently acquired certain of the companies and is in the process of performing its due diligence investigations of the other companies. There can be no assurance that the Company's due diligence investigations and subsequent audit will not reveal matters of significance, including with respect to liabilities, contingent or otherwise, of these companies.

Anti-takeover Provisions

Certain provisions of Delaware law and the Company's Certificate of Incorporation (the "Certificate of Incorporation") and Bylaws (the "Bylaws") may have the effect of delaying, deterring or preventing a future takeover or change in control of the Company unless such takeover or change in control is approved by the Company's Board of Directors. Such provisions also may render the removal of directors and management more difficult. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of the Company's Common Stock. These provisions of Delaware law and the Company's Certificate of Incorporation and Bylaws may also have the effect of discouraging or preventing certain types of transactions involving an actual or threatened change of control of the Company (including unsolicited takeover attempts), even though such a transaction may offer the Company's stockholders the opportunity to sell their stock at a price above the prevailing market price. The Company's Certificate of Incorporation places certain restrictions on who may call a special meeting of stockholders. In addition, the Company's Board of Directors has the authority to issue up to 12,500,000 shares of undesignated preferred stock (the "Undesignated Preferred Stock") and to determine the price, rights, preferences, and privileges of those shares without any further vote or actions by the stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Undesignated Preferred Stock that may be issued in the future. The issuance of such shares of Undesignated Preferred Stock, while potentially providing desirable flexibility in connection with possible acquisitions and serving other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or may discourage a third party from attempting to acquire, a majority of the outstanding voting stock of the Company. In addition, the Company is subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"), which will prohibit the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder unless the business combination is approved in a prescribed manner. The application of Section 203 of the DGCL also could have the effect of delaying or preventing a change of control of the Company. In addition, the Company's Certificate of Incorporation provides that upon consummation of the Offering the Board of Directors will be divided into three classes of directors serving staggered terms and all stockholder actions must be effected at a duly called meeting and not by a consent in writing. The classification provision and the prohibition on stockholder action by written consent could have the effect of discouraging a third party from making a tender offer or otherwise attempting to gain control of the Company. Additionally, certain federal regulations require prior approval of certain transfers of control which could also have the effect of delaying, deferring or preventing a change of control. See "Description of Capital Stock -- Anti-Takeover Provisions."

Dividend Policy; Restriction on Payment of Dividends

The Company does not anticipate paying cash dividends in the foreseeable future. See "Dividend Policy." The Company's ability to pay dividends is limited by an indenture, dated June 24, 1997 under which the 1997 Notes were issued (the "Indenture") and the Bank Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Dilution

The public offering price may be substantially higher than the tangible book value of the outstanding Common Stock. Purchasers of Shares in the Offering will therefore experience immediate and substantial dilution in tangible book value per share, and the existing stockholders will receive a material increase in the 15

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tangible book value per share of their shares of Common Stock. The dilution to
new investors will be $          per Share (based on the Price to Public of
$     per Share and assuming no exercise of the over-allotment options granted
to the Underwriters).
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No Prior Public Market; Possible Volatility of Stock Price

Prior to the Offering, there has been no public market for the Common Stock. There can be no assurance that an active trading market will develop or be sustained. The offering price has been determined by negotiations between the Company and the Underwriters and there can be no assurance that the prices at which the Common Stock will sell in the public market after the Offering will not be lower than the price at which the Common Stock is sold in the Offering. See "Underwriting." Historically, the market prices for securities of emerging companies in the telecommunications industry have been highly volatile. The trading price of the Common Stock after the Offering could be subject to wide fluctuations in response to numerous factors, including, but not limited to, quarterly variations in operating results, competition, announcements of technological innovations or new products by the Company or its competitors, product enhancements by the Company or its competitors, regulatory changes, any differences in actual results and results expected by investors and analysts, changes in financial estimates by securities analysts and other events or factors. In addition, the stock market has experienced volatility that has affected the market prices of equity securities of many companies and that often has been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of the Common Stock.

Shares Eligible for Future Sale

Upon completion of the Offering, there will be outstanding shares of Common Stock of which are "restricted shares". Of these shares, the shares of Common Stock sold in the Offering will be freely tradeable without further restriction or further registration under the Securities Act, except for shares purchased by an affiliate (as such term is defined in the Securities Act) of the Company, which will be subject to the limitations of Rule 144 ("Rule 144") under the Securities Act. Subject to certain contractual limitations, holders of restricted shares generally will be entitled to sell these shares in the public securities market without registration either pursuant to Rule 144 (or Rule 145, as applicable) or any other applicable exemption under the Securities Act.

Within 90 days of the date of this Prospectus, the Company intends to file a registration statement under the Securities Act to register shares of Common Stock reserved for issuance under its equity incentive plans. As of February 27, 1998, options to purchase approximately 2,666,840 shares were outstanding under the Company's stock option plans.

The Company, its directors and its executive officers, and certain stockholders, who hold, as of February 27, 1998 approximately 18,000,000 shares of Common Stock (or currently exercisable options to purchase Common Stock), have agreed not to offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offering of, any shares of Common Stock or any securities convertible into, or exchangeable for shares of Common Stock for a period of six months from the date of this Prospectus, without the prior written consent of Smith Barney, Inc., except under limited circumstances. Approximately shares of Common Stock, and an additional shares of Common Stock issuable upon exercise of outstanding options, will become saleable after the six-month lock-up period.

In connection with the Buyouts and acquisitions that involved the issuance of shares of Series D-1 Preferred Stock, the Company has entered into market standoff agreements with the holders of the Series D-1 Preferred Stock so issued, which restrictions expire in one-third increments on the six, twelve, and eighteen month anniversaries of the date of this Prospectus. Following the six-month, twelve-month and eighteen-month lock-up periods, approximately , and additional shares of Common Stock, respectively will become immediately saleable, subject to the limitations imposed by Rule 144.

Sales of a substantial amount of Common Stock in the public market, or the perception that such sales may occur, could adversely affect the market price of the Common Stock prevailing from time to time in the public market and could impair the Company's ability to raise additional capital through the sale of its equity securities. See "Shares Eligible for Future Sale."

Year 2000 Compliance

Currently, many computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, many companies' software and computer systems

may need to be upgraded or replaced in order to comply with such "Year 2000" requirements. The Company and third parties with which the Company does business rely on numerous computer programs in their day to day operations. The Company is evaluating the Year 2000 issue as it relates to the Company's internal computer systems and third party computer systems with which the Company interacts. The Company expects to incur internal staff costs as well as consulting and other expenses related to these issues; these costs will be expensed as incurred. In addition, the appropriate course of action may include replacement or an upgrade of certain systems or equipment at a substantial cost to the Company. There can be no assurance that the Year 2000 issues will be resolved in 1998 or 1999. The Company may incur significant costs in resolving its Year 2000 issues. If not resolved, this issue could have a significant adverse impact on the Company's business, operating results and financial condition.

Discretionary Authority Over Use of Net Proceeds

Management will retain a significant amount of discretion over the application of the net proceeds of the Offering. Because of the number and variability of factors that determine the Company's use of the net proceeds of the Offering, there can be no assurance that such applications will not vary substantially from the Company's current intentions. Pending such utilization the Company intends to invest the net proceeds of the Offering in short-term investment grade and government securities. See "Use of Proceeds."

Forward-looking Statements

The statements contained in this Prospectus that are not historical fact are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995), which can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Management wishes to caution the reader that these forward- looking statements such as the timing, costs and scope of its acquisition of, or investments in, existing ISPs, the revenue and profitability levels of the ISPs in which it invests, the anticipated reduction in operating costs resulting from the integration and optimization of those ISPs, and other matters contained above and herein in this Prospectus regarding matters that are not historical facts, are only predictions. No assurances can be given that the future results indicated, whether expressed or implied, will be achieved. While sometimes presented with numerical specificity, these projections and other forward-looking statements are based upon a variety of assumptions relating to the business of the Company, which, although considered reasonable by the Company, may not be realized. Because of the number and range of the assumptions underlying the Company's projections and forward-looking statements, many of which are subject to significant uncertainties and contingencies that are beyond the reasonable control of the Company, some of the assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this Prospectus. These forward-looking statements are based on current expectations, and

the Company assumes no obligation to update this information. Therefore, the actual experience of the Company and results achieved during the period covered by any particular projections or forward-looking statements may differ substantially from those projected. Consequently, the inclusion of projections and other forward-looking statements should not be regarded as a representation by the Company or any other person that these estimates and projections will be realized, and actual results may vary materially. There can be no assurance that any of these expectations will be realized or that any of the forward-looking statements contained herein will prove to be accurate.

Use of Proceeds

The Company will receive approximately $ million of net proceeds (after deducting the Underwriters' discounts and commissions and estimated expenses related to the Offering) from the sale of Shares. Approximately $ of the net proceeds are expected to be used to further the Company's acquisition and investment strategy. The remaining $ of the net proceeds from the Offering are expected to be used to continue the development and implementation of the national backbone, customer care center, network operations center and billing and accounting services, and to fund the Company's general working capital requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the Company's anticipated funding requirements.

Management will retain a significant amount of discretion over the application of the net proceeds of the Offering. Because of the number and variability of factors that determine the Company's use of the net proceeds of the Offering, there can be no assurance that such applications will not vary substantially from the Company's current intentions. Pending such utilization, the Company intends to invest the net proceeds of the Offering in investment grade obligations of corporations, financial institutions and U.S. Government Securities. See "Risk Factors -- Discretionary Authority Over Use of Net Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Dividend Policy

The Company has never declared or paid any dividends on its Common Stock and does not expect to pay dividends in the foreseeable future. The Company's current policy is to retain all of its earnings to finance future growth and acquisitions. Furthermore, the terms of the Indenture with respect to the 1997 Notes and the proposed terms of the Bank Facility place limitations on the Company's ability to pay dividends. Future dividends, if any, will be at the discretion of the Board and will depend upon, among other things, the Company's operations, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as the Board may deem relevant. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

CAPITALIZATION (dollars in thousands) The following table sets forth at December 31, 1997 (i) the actual capitalization of the Company, (ii) the pro forma capitalization adjusted for the Completed and Proposed Acquisitions and Buyouts, and (iii) the pro forma capitalization adjusted to reflect the

Offering and the conversion of all the outstanding Preferred Stock only upon the completion of the Offering. This table should be read in conjunction with the Selected Consolidated Financial Data, the Unaudited Pro Forma Condensed Combined Financial Statements and the Historical Consolidated Financial Statements and notes thereto included elsewhere in this Prospectus.

DECEMBER 31, 1997 PRO FORMA HISTORICAL PRO FORMA(1) AS ADJUSTED(2)

Cash and cash equivalents	$ 72,586	$ 52,139	
Restricted cash and securities	40,554	40,554	
Long-term debt and capital lease obligations, net of current portions	142,321	142,583	
Redeemable preferred stock(3):			
Series A, par value $0.001 per share; 6,100,000 shares authorized: 6,033,333 shares outstanding	18,080	18,080	
Series B, par value $0.001 per share; 10,117,000 shares authorized: 10,028,334 shares outstanding	59,193	59,192	
Series C, par value $0.001 per share; 2,500,000 shares authorized and outstanding	19,976	19,976	
	97,249	97,249	
Stockholders equity (deficit):			
Preferred stock, Series D-1, par value $0.001 per share; 3,000,000 shares authorized: 680,000 shares outstanding (2,384,000 shares pro forma)(4)	10,200	35,760	
Common stock, par value $0.001 per share; 35,133,000 shares authorized; 1,254,533 shares outstanding actual and pro forma (shares pro forma -- as adjusted) and additional paid in capital(5)	1,598	1,598	
Warrants	12,675	12,675	
Accumulated deficit	(51,474)	(51,474)	
Total stockholders' equity (deficit)	(27,001)	(1,441)	
Total capitalization	$212,569	$238,391	$

(1) Pro forma for the completed and proposed acquisitions and Buyouts as if they had occurred on December 31, 1997. See "Unaudited Pro Forma Condensed Combined Financial Statements."

(2) As adjusted to give effect to the Offering after deducting the Underwriter's discounts and commissions and estimated expenses and the conversion of the Preferred Stock into Common Stock upon completion of the Offering.

(3) All of the shares of the Company's Preferred Stock are convertible into Common Stock on a one-for-one basis, subject to certain anti-dilution adjustments. The shares of Series A, B and C Preferred Stock are subject to mandatory redemption beginning on October 10, 2004, and are subject to mandatory conversion into Common Stock upon consummation of the Offering.

(4) Pro forma for Series D-1 Preferred Stock includes 1,704,000 shares issued and proposed to be issued in connection with acquisitions and Buyouts completed or proposed subsequent to December 31, 1997 as if they had occurred on December 31, 1997. See "Unaudited Pro Forma Condensed Combined Financial Statements." The shares of Series D-1 Preferred Stock are not redeemable, and are subject to mandatory conversion upon consummation of the Offering. See "Description of Capital Stock " and Note 5 to the Consolidated Financial Statements.

(5) Does not include 2,237,050 shares of Common Stock reserved for issuance pursuant to outstanding stock options as of December 31, 1997 or 2,112,480 shares issuable upon exercise of outstanding warrants.

Dilution

The net tangible book value (deficit) of the Company at December 31, 1997, after giving effect to the conversion of the Preferred Stock into Common Stock, was ($22.6) million or ($1.11) per share of Common Stock. "Net tangible book value" per share represents total tangible assets of the Company less total liabilities, divided by the total number of shares of Common Stock outstanding. After giving effect to the sale of shares of Common Stock offered hereby at an assumed initial public offering price of $ per share, after deducting the underwriting discounts and commissions and estimated offering expenses, the pro forma net tangible book value of the Company as of December 31, 1997 would be $ million or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to purchasers of Common Stock in the Offering.

Initial public offering price per share..... $ Net tangible book value (deficit) per share before the Offering(1)..... $(1.11) Increase per share attributable to new investors..... Net tangible book value per share after the Offering..... $ Dilution per share to investors in the Offering..... $ (1) Based on 20,496,200 shares of Common Stock outstanding as of December 31, 1997 after giving effect to the conversion of all outstanding Preferred Stock.

The following table summarizes, on a pro forma basis as of December 31, 1997, the actual number of shares of Common Stock purchased from the Company, the actual total consideration paid and the average price paid per share by the existing stockholders (assuming conversion of the Preferred Stock into Common Stock upon completion of the Offering) and by investors purchasing shares of Common Stock in the Offering (at an assumed initial public offering price of $ per share before deducting underwriting discounts and commissions and estimated offering expenses):

SHARES PURCHASED(1)		TOTAL CONSIDERATION		
NUMBER	PERCENT	AMOUNT	PERCENT	AVERAGE PRICE PER SHARE

Existing stockholders..... 20,496,200 $121,722,385 $5.94 New investors..... Total.....

(1) Excludes 2,237,050 shares of Common Stock reserved for issuance upon exercise of options outstanding as of December 31, 1997 under the Company's stock option plans at a weighted average exercise price of $5.55 per share and 2,112,480 shares issuable upon exercise of outstanding warrants at $.01 per share. To the extent such options and warrants are exercised in the future, there will be further dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL DATA (dollars in thousands, except per share amounts) The selected historical consolidated financial data as of and for the period from inception (March 1, 1996) to December 31, 1996 and as of and for the year ended December 31, 1997 have been derived from the audited Consolidated Financial Statements of the Company included elsewhere in this Prospectus.

The information set forth below should be read in conjunction with the Unaudited Pro Forma Condensed Combined Financial Statements and the historical Consolidated Financial Statements of the Company and the notes thereto included elsewhere in this Prospectus. Results of operations for the year ended December 31, 1997 are not necessarily indicative of results of operations for future periods. The Company's development and expansion activities, including acquisitions, during the periods shown below significantly affect the comparability of this data from one period to another. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	HISTORICAL		PRO FORMA(1)
	PERIOD FROM INCEPTION (MARCH 1, 1996) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1997
STATEMENT OF OPERATIONS DATA:			
Revenue:			
Internet connectivity	$ 2,239	$ 23,476	$ 53,349
Enhanced services and other	126	12,216	24,609
Total revenue	2,365	35,692	77,958
Costs and expenses:			
Internet services operating costs	974	15,974	32,475
Selling, general and administrative and other	7,002	49,383	76,589
Depreciation and amortization	669	10,624	22,519
Total costs and expenses	8,645	75,981	131,583
Loss from operations	(6,280)	(40,289)	(53,625)
Other income (expense):			
Interest income	593	6,080	6,117
Interest expense	(115)	(11,826)	(12,204)
Equity in losses of affiliates	--	(1,958)	--
Minority interests	680	1,924	--
Net loss	(5,122)	(46,069)	(59,712)
Accretion of redeemable preferred stock to liquidation value	(23)	(260)	(260)
Net loss attributable to common shareholders	$ (5,145)	$ (46,329)	$ (59,972)
Loss per common share -- basic and diluted(2)(3)	$ (5.29)	$ (40.47)	$ (52.39)
Weighted average common shares outstanding -- basic and diluted	971,748	1,144,685	1,144,685
OTHER DATA:			
EBITDA(4)	$ (5,611)	$ (29,665)	$ (31,106)
Capital expenditures(5)	3,430	14,547	14,547
Cash flows information:			
Net cash used by operating activities	(2,326)	(35,323)	
Net cash used by investing activities	(9,123)	(120,329)	
Net cash provided by financing activities	77,916	161,772	

		AS OF DECEMBER 31, 1997	
	AS OF DECEMBER 31, 1996	ACTUAL	PRO FORMA(1)	PRO FORMA AS ADJUSTED(6)
		(AMOUNTS IN THOUSANDS)		
BALANCE SHEET DATA:				
Cash and cash equivalents	$66,467	$ 72,586	$ 52,139	
Restricted cash and securities	--	40,554	40,554	
Goodwill, net	8,736	83,216	127,810	
Total assets	82,628	246,471	272,560	
Long-term debt and capital lease obligations, net of discount	106	142,321	142,583	

Redeemable preferred stock.....	76,877	97,249	97,249
Stockholders' equity (deficit).....	(4,055)	(27,001)	(1,441)

(1) Pro forma for the completed and proposed acquisitions and Buyouts as if they had occurred on December 31, 1997 for balance sheet purposes and on January 1, 1997 for statement of operations data purposes. See "Unaudited Pro Forma Condensed Combined Financial Statements."

(2) Excludes the effect of the conversion of Preferred Stock into Common Stock upon completion of the Offering. Assuming the Preferred Stock had converted to Common Stock as of January 1, 1997, historical and pro forma loss per share of Common Stock for 1997 would have been $(2.26) and $(2.91) per share, respectively, based on 20,496,200 weighted average shares of Common Stock.

(3) The Company paid no cash dividends on its Common Stock during the period from inception (March 1, 1996) to December 31, 1996 and the year ended December 31, 1997.

(4) EBITDA represents earnings (loss) from operations before interest, taxes, depreciation, amortization and provision for loss on write-offs of investments in ISPs and fixed assets. The primary measure of operating performance is net earnings (loss). Although EBITDA is a measure commonly used in the Company's industry, it should not be construed as an alternative to net earnings (loss), determined in accordance with GAAP, as an indicator of operating performance or as an alternative to cash flows from operating activities, determined in accordance with GAAP.

(5) Excludes equipment and leasehold improvements acquired in business acquisitions.

(6) As adjusted to give effect to the Offering after deducting underwriting discounts and commissions and estimated offering expenses, and conversion of the Preferred Stock into Common Stock upon completion of the Offering.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is based on the historical and pro forma results of the Company and includes a number of ISPs acquired at various times. See "Unaudited Pro Forma Condensed Combined Financial Statements" for the basis of presentation and those business acquisitions included therein. Investments in ISP affiliates in which Verio acquires a minority interest are accounted for at cost. Investments in ISP affiliates in which Verio acquires a majority interest through the acquisition of net assets, common stock or convertible preferred stock, and exercises significant control over the operations are accounted for using the purchase method of accounting and, accordingly, the financial results of these ISPs have been consolidated with those of the Company. Certain statements set forth below constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or

achievements expressed or implied by such forward-looking statements. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. See "Risk Factors -- Forward-Looking Statements."

Overview

Verio is a leading national provider of Internet connectivity and enhanced Internet services to small and medium sized businesses. Since its inception in March 1996, the Company has rapidly established a national presence through the acquisition, integration, and growth of local ISPs with a business customer focus. Verio believes that small and medium sized businesses represent an attractive target market for the provision of Internet services due to this market's low current penetration levels and customer churn, and the expanding Internet needs of these businesses. The Company believes it has a unique competitive advantage in serving small and medium sized business customers through the combination of the technical competency, hands-on support and entrepreneurial culture of locally based ISPs with the quality and economic efficiency of Verio's national network, operational infrastructure and financial strength. Verio has quickly built critical mass by acquiring or making significant investments in over 30 ISPs that provide a comprehensive range of Internet connectivity and enhanced products and services to over 80,000 customers in 33 of the top 50 MSAs in the country, with total combined annualized revenues of approximately $90.4 million based on the three months ended December 31, 1997.

From March 1996 through September 1997, Verio's strategy was to acquire 51% to 100% of a large regional ISP, and a minority interest in smaller ISPs within each region. Verio now seeks to acquire 100% of new ISPs, and is in the process of bringing its ownership interest in its existing ISPs to 100%. Upon achieving 100% ownership of two or more ISPs in a region, Verio then consolidates the management teams, network operations, and marketing efforts within that region. While some one-time costs are incurred, Verio believes that the combined organizations will be able to increase revenues faster and more cost effectively. In addition, 100% ownership facilitates the introduction of the Verio brand name, a suite of nationwide product offerings, and the transition of all ISPs onto Verio's national network and financial systems.

As of December 31, 1997, the Company had completed the Buyout of four of its initially non-wholly owned ISPs. In conjunction with the consolidation of its regional operations, Verio is in the process of completing the Buyout of all but two of the remaining ISPs that it owns less than 100%. Verio expects to incur costs of $45 to $50 million in connection with the acquisition of the remaining interests in these ISPs, which will be paid with a combination of cash and preferred stock of Verio. As a result of its acquisitions, and the limited amount of fixed assets required to operate an ISP, Verio has recorded significant amounts of goodwill, and expects goodwill to increase significantly during 1998.

To fund its acquisitions and operations, Verio has raised approximately $100.0 million of equity capital primarily from venture capital funds and Brooks Fiber Properties, Inc. (recently acquired by WorldCom, Inc.). It has also issued $150.0 million in senior unsecured notes to a group of institutional investors.

Results of Operations

Revenue

The Company derives the majority of its revenues from business customers who purchase Internet connections and enhanced services such as Web hosting. Verio's ISP affiliates offer a broad range of connectivity options to their customers including dedicated, dial-up, ISDN, frame relay and point-to-point connections. Dedicated customers typically sign a contract for one to three years of service that provides for fixed, recurring monthly service charges, and pay a one-time setup fee. These charges vary depending on the type of service, the length of the contract, and local market conditions. Dial-up customers also typically pay a one-time setup fee and recurring monthly service charges. Fees and service charges for enhanced services vary from product to product. For example, Web hosting customers pay a one-time setup fee and fixed monthly service charges that vary depending on the amount of disk space and bandwidth required. Additional sources of revenue include e-commerce, virtual private networks, security services, co-location services, consulting and the sales of equipment and customer circuits. Revenue related to Internet connectivity and enhanced services is recognized as the services are provided. Amounts billed relating to future periods are recorded as deferred revenue and amortized monthly as services are rendered.

Currently, connectivity services provide a majority of total revenues. However, revenues from enhanced services, especially Web hosting, are expected to represent an increasing percentage of total revenues in future periods. Revenue from business customers currently represents more than 80% of total revenues and is projected to increase as a percent of total revenues. In addition to the growth that the Company is achieving through acquisitions, revenues are also expected to increase due to the internal growth of consolidated ISPs. For ISPs consolidated for the entire fiscal year of 1997, revenue increased an average of 16% quarter-over-quarter for the three quarters ended December 31, 1997.

Year Ended December 31, 1997 Compared to the Period from Inception to December 31, 1996 Total consolidated revenues were $35.7 million for the year ended December 31, 1997, compared to $2.4 million for the period from inception (March 1, 1996) to December 31, 1996 (the "1996 Period"). Internet connectivity represented 66% and 95% of total revenue for the year ended December 31, 1997 and the 1996 Period, respectively, with the balance derived from enhanced services and other, which included web hosting, consulting, sales of equipment and customer circuits. The increase in revenues for the year ended December 31, 1997 compared to the 1996 Period was primarily due to the acquisitions of ISPs subsequent to December 31, 1996 and the longer period covered. Twenty-two ISPs were included in the consolidated financial statements at December 31, 1997, three of which were included in the consolidated financial statements for the entire year ended December 31, 1997. Three ISPs were included in the consolidated financial statements at December 31, 1996. The increase in enhanced services as a percentage of total revenue is due to acquisitions and increased sales of enhanced services.

Costs and Expenses

Internet services operating costs consist primarily of local telecommunication expense, Internet access expense and the cost of equipment and customer circuits sold. Local telecommunications expense represents the cost of transporting data between the Company's POPs and a transit provider, or various Internet access points. Internet access expense includes both the cost incurred by the Company to transport its Internet traffic and the cost incurred by the Company for its national network. In some instances the Company will also pay for the local telecommunications line(s) from the customer's location to one of the POPs. As of December 31, 1997, twenty ISP affiliates were utilizing the Verio national network for their Internet access and paying Verio for these network services based on their bandwidth requirements. The Company has signed a non-binding memorandum of understanding for a $100.0 million, seven year commitment with a provider of long haul telecommunications services in order to reduce the per unit costs of such services. If the Company is successful in consummating this agreement, there would not be a significant effect on the results for 1998. However, the Company expects that the pricing advantages provided by this agreement would substantially reduce the cost of these services in future years. Additionally, the Company has the right to prepay its commitment, which would allow the capitalization of costs (to the extent prepaid) under this contract. Such capitalized costs will be amortized to operations over the term of the agreement. The amount of the prepayment is currently expected to be approximately $60.0 million. Selling, general and administrative and other expenses consist primarily of salaries and related employment expenses, consulting, travel and entertainment, rent, and utilities. Depreciation is provided over the estimated useful lives of the assets ranging from 3 to 5 years using the straight-line method. The excess of cost over the fair value of net assets acquired, or goodwill, is amortized using the straight-line method over a ten-year period.

Year Ended December 31, 1997 Compared to the Period from Inception to December 31, 1996 Internet services operating costs were 43% and 41% of total revenues for the year ended December 31, 1997 and the 1996 Period, respectively. The Company expects these costs as a percentage of total revenues to decrease over time as additional ISP affiliates migrate onto Verio's national network. Additionally, enhanced services, which typically have higher gross margins, are anticipated to become a larger percentage of total revenues thereby resulting in lower costs as a percentage of total revenues. The Company expects selling, general and administrative expenses to continue to increase in absolute dollars but to decrease as a percentage of total revenues as the Company invests in additional ISPs and continues with its growth strategy. The increases will be primarily due to increased personnel resulting from the growth in the number of ISPs, and additional expenditures in sales and marketing. Depreciation and goodwill amortization are expected to continue to increase significantly as a result of the Company's acquisition and investment strategies. Also, the Company will continue to have non-recurring expenses related to its strategy of acquiring and regionalizing groups of ISPs. The significant increase in Internet services operating costs and expenses and in selling, general and administrative and other expenses, for the year ended December 31, 1997 compared to the 1996 Period was primarily due to the acquisitions of ISPs subsequent to December 31, 1996 and the longer period covered.

Twenty-two ISPs were included in the consolidated financial statements at December 31, 1997, three of which were included in the consolidated financial statements for the entire year ended December 31, 1997. Three ISPs were included in the consolidated financial statements at December 31, 1996.

Other Expenses

During the year ended December 31, 1997, the Company recognized equity in losses of affiliates in the amount of $1,958,000, representing losses of those affiliates in excess of the equity of the common shareholders of the affiliates. See Note 1 to "Consolidated Financial Statements of the Company."

Interest expense increased from $115,000 in the 1996 Period to $11.8 million in 1997 primarily as a result of the completion of the $150.0 million placement of the 1997 Notes on June 24, 1997.

Income Taxes

As of December 31, 1997, the Company had a net operating loss carryforward for federal income tax purposes of approximately $49.9 million which is available to offset future federal taxable income, if any, through 2011. The utilization of a portion of the net operating loss carryforwards may be limited under Section 382 of the Internal Revenue Code. No tax benefit for such losses has been recorded by the Company in 1996 or 1997 due to uncertainties regarding the utilization of the loss carryforward.

Quarterly Results of Operations

	THREE MONTHS ENDED			
	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997
	(DOLLARS IN THOUSANDS)			
Revenue:				
Dedicated connectivity	$ 1,954	$ 3,852	$ 4,314	$ 6,263
Dial-up connectivity	1,106	1,564	1,644	2,779
Web hosting and colocation	372	825	982	1,536
Consulting and other	864	1,619	2,191	2,183
Equipment	118	389	493	644
Total revenue	4,414	8,249	9,624	13,405
Costs and expenses:				
Internet services operating costs	2,042	3,433	4,029	6,470
Selling, general and administrative and other	6,718	11,122	13,393	18,150
Depreciation and amortization	1,246	2,548	2,943	3,887
Total costs and expenses	10,006	17,103	20,365	28,507
Loss from operations	$(5,592)	$(8,854)	$(10,741)	$(15,102)
EBITDA	$(4,346)	$(6,306)	$ (7,798)	$(11,215)

	THREE MONTHS ENDED			
	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997
	(AS A PERCENTAGE OF TOTAL REVENUE)			
Total revenue	100%	100%	100%	100%
Costs and expenses:				
Internet services operating costs	46%	42%	42%	48%

Selling, general and administrative and other	152%	135%	141%	136%
Depreciation and amortization	28%	31%	28%	29%
Total costs and expenses	227%	207%	212%	213%
Loss from operations	(127%)	(107%)	(112%)	(113%)

EBITDA..... (99%) (76%) (83%) (84%) The Company's operating results have fluctuated in the past and may in the future fluctuate significantly depending upon a variety of factors, including the incurrence of capital costs and costs associated with the Buyouts and the introduction of value-added enhanced services and new services by the Company. Additional factors that may contribute to variability of operating results include: the pricing and mix of services offered by the Company; customer retention rate; changes in pricing policies and product offerings by the Company's competitors; growth in demand for network and Internet access services; one-time costs associated with regional consolidation; and general telecommunications services' performance and availability. The Company has also experienced seasonal variation in Internet use and, therefore, revenue streams may fluctuate accordingly. As a result, variations in the timing and amounts of revenues could have a material adverse effect on the Company's quarterly operating results. Due to the foregoing factors, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and that such comparisons cannot be relied upon as indicators of future performance.

Liquidity and Capital Resources

The Company's business has required and will continue to require substantial capital for investments in ISP affiliates, the acquisition of additional ISPs, the buyouts of remaining interests in ISPs, capital expenditures for expansion of services, operating losses and working capital.

Net cash used by operating activities was $35.3 million during the year ended December 31, 1997, which includes a decrease of $913 thousand in working capital. Net cash used by investing activities was $120.3 million during the year ended December 31, 1997, primarily due to the restricted cash and securities of $46.6 million from the proceeds of the 1997 Notes, and approximately $64.0 million for acquisitions. Net cash provided by financing activities was $161.8 million during the year ended December 31, 1997, primarily from the sale of 2,500,000 shares of Series C Preferred Stock for gross proceeds of approximately $20.0 million and issuance of the 1997 Notes for gross proceeds of approximately $150.0 million.

Since inception, the Company has financed itself primarily through the private sale of Preferred Stock and debt and, to a lesser extent, Common Stock. In 1996, the Company raised approximately $79.2 million (gross) through the issuance of Common Stock, Series A Preferred Stock and Series B Preferred Stock. In June 1996, the Company sold 6,033,333 shares of Series A Preferred Stock and in December 1996, the Company sold 10,000,000 shares of Series B Preferred Stock for gross proceeds of approximately $18.1 million and approximately $60.0 million, respectively. During the course of 1996, 1,090,000 shares of Common Stock were sold for gross proceeds of approximately $1.1 million. In 1997, an additional 164,533 shares of Common Stock were issued for approximately $508,000. In May 1997, the Company completed the sale of 2,500,000 shares of Series C Preferred Stock for gross

proceeds of approximately $20.0 million. In December 1997, the Company issued 680,000 shares of Series D-1 Preferred Stock to fund a portion of the acquisition cost of one affiliate. Each share of Preferred Stock is convertible into Common Stock on a one-for-one basis.

On June 24, 1997, the Company completed the placement of $150.0 million of the 1997 Notes and attached warrants (the "Warrants"). 150,000 units were issued, each consisting of $1,000 principal amount of the 1997 Notes and 8 Warrants, with each Warrant entitling the holder thereof to purchase 1.76 shares of the Company's Common Stock at a price of $.01 per share, for a total of 2,112,480 shares of Common Stock. The Warrants and the 1997 Notes were separated on December 15, 1997. The 1997 Notes mature on June 15, 2004. Interest on the 1997 Notes is payable semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 1997. Concurrent with the completion of the offering, the Company was required to deposit funds into an escrow account in an amount that together with interest will be sufficient to fund the first five interest payments on the 1997 Notes. The 1997 Notes are redeemable on or after June 15, 2002. The 1997 Notes are senior unsecured obligations of the Company ranking pari passu in right of payment with all existing and future unsecured and senior indebtedness.

As of December 31, 1997, the Company had approximately $72.6 million in cash and cash equivalents (excluding restricted cash). The Company's business plan currently anticipates investments of approximately $175.0 million in 1998 for capital expenditures, ISP acquisitions, operating losses and working capital. The Company's anticipated expenditures are inherently uncertain and will vary widely based on many factors including the operating performance and working capital requirements of the Company and its existing ISP affiliates, the number and size of additional ISPs acquired or invested in by the Company, the cost of such additional acquisitions and investments, the operating performance and working capital requirements of the Company's ISP affiliates including any additional ISP affiliates and capital expenditure requirements of the Company and any existing or additional ISPs. Accordingly, the Company may need significant amounts in excess of its plan, and no assurances can be given as the actual amounts of the Company's expenditures and additional capital requirements.

The Company expects to meet its capital needs with cash on hand, the proceeds from sale or issuances of capital stock, credit facilities, debt financings and leasing. There can be no assurance that the Company will be able to service its indebtedness. Insufficient funding may require the Company to delay or abandon some of its planned future expansion or expenditures, which could have a material adverse effect on the Company's growth and its ability to compete. In addition, the Company's operating flexibility with respect to certain business activities is limited by covenants associated with its indebtedness. There can be no assurance that 27 such covenants will not adversely affect the Company's ability to finance its future operations or capital needs or to engage in business activities that may be in the interest of the Company.

Subsequent to December 31, 1997, Verio has received commitments from a group of commercial lending institutions to provide up to $57.5 million pursuant to a two-year revolving credit facility secured by the equity of the ISPs that Verio owns currently or in the future, and by any long haul capacity agreement, if signed. Chase Manhattan Bank has committed to act as agent for the facility.

Verio also is currently considering the private placement of approximately $100.0 million of senior notes. The Company is in the process of completing definitive documentation for the Bank Facility. The terms of the Bank Facility will provide for borrowings at LIBOR + 3%, with a 1% decrease in that rate subsequent to December 31, 1998 if the Company has completed a public equity offering of $50.0 million or more. If the Company has not completed such an offering by December 31, 1998, or by June 30, 1999, there will be a 2% increase in the rate on each date. There will also be a commitment fee of 1/2% per annum on the undrawn amount of the Bank Facility and a one-time fee of 1/2% on any amounts drawn. The last $3.0 million of the Bank Facility will not be able to be drawn except for the payment of interest. Borrowings under the Bank Facility will be required to be paid down with the proceeds of new Indebtedness (as defined), certain asset sales, Excess Cash Flow (as defined), or the net proceeds from insurance claims.

The term sheet for the Bank Facility sets forth covenants restricting, among other things, the Company's ability to borrow, pay dividends and guarantee the debt of others. The covenants under the Indenture for the 1997 Notes, the proposed Bank Facility and the proposed senior notes would limit the Company's ability to make borrowings under the Bank Facility at the subsidiary level, enter into transactions with affiliates, create liens on its assets, and make certain investments.

There can be no assurance that the Company will be able to complete either the Bank Facility or the $100.0 million note offering on terms acceptable to the Company.

Forward-looking Statements

The statements included in the discussion and analysis above that are not historical fact are "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995), which can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Management cautions the reader that these forward-looking statements addressing the timing, costs and scope of its acquisition of, or investments in, existing ISPs, the revenue and profitability levels of the ISPs in which it invests, the anticipated reduction in operating costs resulting from the integration and optimization of those ISPs, and other statements regarding matters that are not historical facts, are only predictions. No assurances can be given that future results indicated, whether expressed or implied, will be achieved. While sometimes presented with numerical specificity, these projections and other forward-looking statements are based upon a variety of assumptions relating to the business of the Company, which, although considered reasonable by the Company, may not be realized. Because of the number and range of the assumptions underlying the Company's projections and forward-looking statements, many of which are subject to significant uncertainties and contingencies that are beyond the reasonable control of the Company, some of the assumptions will not materialize and unanticipated events and circumstances may occur subsequent to the date of this report. These forward-looking statements are based on current expectations, and the Company assumes no obligation to update this information. Therefore, the actual experience of the Company and results achieved during the period

covered by any particular projections or forward-looking statements may differ substantially from those projected. Consequently, the inclusion of projections and other forward-looking statements should not be regarded as a representation by the Company, or any other person, that these estimates and projections will be realized and actual results may vary materially. There can be no assurance that any of these expectations will be realized or that any of the forward-looking statements contained herein will prove to be accurate.

Business

Overview

Verio is a leading national provider of Internet connectivity and enhanced Internet services to small and medium sized businesses. Since its inception in March 1996, the Company has rapidly established a national presence through the acquisition, integration, and growth of local ISPs with a business customer focus. Verio believes that small and medium sized businesses represent an attractive target market for the provision of Internet services due to this market's low current penetration levels and customer churn rates, and the expanding Internet needs of these businesses. Because of their limited internal technical resources, small and medium sized businesses also typically require hands-on local support and highly reliable turnkey solutions for mission critical applications. Verio further believes that these needs currently are underserved by both the national and local ISPs. While national ISPs lack the local presence to provide customized, hands-on service, local ISPs typically lack the scale and resources required to provide dedicated, high-capacity Internet access, around-the-clock support and tailored product offerings at competitive prices.

The Company believes it has a unique competitive advantage in serving small and medium sized business customers through the combination of the technical competency, hands-on support and entrepreneurial culture of locally based ISPs with the quality and economic efficiency of Verio's national network, operational infrastructure and financial strength. Verio has quickly built critical mass by acquiring or making significant investments in over 30 ISPs that provide a comprehensive range of Internet connectivity and enhanced products and services to over 80,000 customers in 33 of the top 50 MSAs in the country, with total combined annualized revenues of approximately $90.4 million based on the three months ended December 31, 1997. The Company integrates and optimizes the operations of these ISPs by consolidating their operations into regional operating units with centralized regional management, connecting their local networks to Verio's high-speed, highly reliable national backbone, and providing them with Verio's integrated national support services. The Company integrates and optimizes the operations of these ISPs by consolidating their operations into regional operating units with centralized regional management, connecting their local networks to Verio's high-speed, highly reliable national backbone, and providing them with Verio's integrated national support services.

Verio believes that a critical factor in the successful implementation of its business strategy is the quality of its management team and Board of Directors. The Company's senior management team and Board of Directors have previously successfully executed similar consolidation strategies and have considerable experience in the management and growth of recurring revenue-based telecommunications businesses. Management believes that its deployment of similar systems and services in other emerging telecommunications industries can be leveraged to significantly improve the quality of services currently available in the Internet service industry.

Industry Background

Internet connectivity and enhanced Internet services represent two of the fastest growing segments of the telecommunications services market. Total ISP revenues in the United States are projected to grow from $3.3 billion in 1996 to $18.3 billion in 2000, according to IDC. The availability of Internet connectivity, advancements in technologies required to navigate the Internet, and the proliferation of content and applications available over the Internet have attracted a rapidly growing number of users. Businesses are increasingly recognizing that the Internet can significantly enhance communications among geographically distributed offices and employees as well as with customers and suppliers. In addition, the Internet presents a compelling profit opportunity for businesses as it enables them to reduce operating costs, access valuable information and reach new markets. As a result, businesses increasingly are utilizing the Internet for mission critical applications such as sales, customer service and project coordination. IDC estimates that U.S. corporate dedicated access revenues will grow from $1.1 billion in 1996 to $5.6 billion in 2000, representing a 50% compounded annual growth rate.

In addition to Internet connectivity, business customers increasingly are seeking a variety of enhanced products and applications to take full advantage of the Internet. For example, a growing number of businesses are implementing secured virtual private networks ("VPNs") over the Internet as a more economical option than dedicated private networks. Technological advances such as increases in microprocessor speeds, the introduction of innovative software tools and the development of higher bandwidth data networking technology have led to rapid innovation and development of enhanced Internet services. The principal enhanced services being offered by business-oriented ISPs today include Web hosting, security, e-commerce, virtual private networks (sometimes called "intranets" and "extranets"), and advanced Internet applications such as voice and fax, video conferencing and data storage and retrieval solutions. According to IDC, enhanced services is the fastest growing segment of the Internet services market and is expected to grow from $126 million in 1996 to over $7 billion in 2000. As business users of the Internet adopt enhanced services, they also require additional bandwidth to support their expanded use of the Internet. The Company expects this trend to continue as high-bandwidth enhanced services continue to be developed, improve and proliferate and as Internet usage continues to expand.

Industry analysts have reported that small and medium sized businesses represent a potential market of over seven million customers in the U.S., and use of the Internet by this market segment is expected to grow substantially from its current low level of market penetration. IDC predicts that dedicated

connections to the Internet for small and medium sized businesses will grow from approximately 90,000 in 1996 to just under 800,000 in 2000, representing a 73% compounded annual growth rate. Small and medium sized businesses generally seek an ISP with locally based personnel who are readily available to respond in-person to technical issues, who can assist in developing and implementing the customer's effective use of the Internet, and with whom they can establish a stable and long-term relationship. In addition, they are increasingly reliant on enhanced product offerings that address their specific business needs on a cost-effective basis, allowing them to compete with larger companies. For example, IDC estimates Web hosting revenues from small and medium sized businesses will grow from $84 million in 1996 to over $3.4 billion in 2000, representing 95% of the total Web hosting market.

The rapid development and growth of the Internet has resulted in a highly fragmented industry of over 4,000 national and local ISPs in the United States, with no dominant ISP serving the needs of small and medium sized businesses. The large national ISPs have primarily focused on the large business or consumer markets and lack the local presence to provide the customized, hands-on service required by small and medium sized businesses. The Company believes that independent local and regional ISPs generally have been more adept at serving small and medium sized businesses, and that these ISPs are often the source of innovative Internet products and services. As a result, independent regional and local ISPs have successfully captured approximately one-half of this market, despite the substantially greater resources of the national providers. However, rising costs and increasing demands from business customers are making it more difficult for the small ISP to meet its customer's demands on a cost-effective basis. Facing these competitive pressures, Verio believes that independent regional and local ISPs will continue to be attracted to and benefit from the consolidation opportunity provided by Verio.

The Verio Solution

Verio is a leading provider of Internet connectivity and enhanced Internet services to small and medium sized businesses. The Company's business strategy of combining national scale with local presence was specifically developed to serve the needs of this market sector. Verio has taken a leading role in consolidating the fragmented, independent ISP industry, rapidly establishing its national presence through the acquisition, integration, and growth of established, well-regarded regional and local ISPs with a business customer focus. The Company believes it has a unique competitive advantage in serving small and medium sized business customers. Verio's combination of national scale with local presence provides distinct and significant value to these customers, which the Company expects will result in long-term customer loyalty and an expanding customer base. Verio intends to enhance this value as it continues to develop, both internally and through strategic vendor relationships, an expanding array of enhanced, higher margin product and service offerings to continue to address the business needs of its customers. The Company further believes that the small and medium sized business market is more attractive than the consumer or large business market segments for Internet services, in large part due to the stability of the customer relationship resulting from the customer's reliance on its service provider's hands-on technical support and ability to provide a turnkey Internet

solution based on customized products and services designed for the customer's particular business needs. The Company's market research indicates that Verio's local presence, providing around-the-clock, hands-on technical support and tailored Internet service solutions combined with its high speed, highly reliable national backbone, will be significant factors in the purchase decision for the small and medium sized business customer, as well as being a critical factor driving customer loyalty.

The Verio Strategy

The goal of the Company is to be the dominant, full-service national provider of Internet connectivity and enhanced Internet services to small and medium sized businesses. Key elements of the Company's strategy in accomplishing this goal are to: (a) continue its role as the leading consolidator of independent ISPs by acquiring additional local and regional ISPs focused on the Company's target market; (b) integrate the operations of its ISPs and capture operational economies of scale by leveraging its national infrastructure and support services; (c) develop and offer additional high-margin enhanced services to increase revenues from existing and future customers; and (d) build customer loyalty and gain market share by expanding the Company's local technical, distribution and service capabilities and establishing national Verio brand name recognition.

Continue Consolidation Through Acquisitions. Verio has rapidly established a national presence and critical customer mass by acquiring or making significant investments in established, well-regarded independent ISPs in selected regions throughout the U.S. The Company intends to continue its consolidation strategy, acquiring additional business-focused ISPs to deepen and broaden its market presence and to expand its strength in targeted product areas such as Web hosting. Given the increasing competitive pressures facing the independent local and regional ISPs, Verio believes that these ISPs will continue to be attracted to and benefit from the consolidation opportunity provided by Verio. As part of its integration strategy, the Company now seeks to acquire 100% of new ISP affiliates and expects to effect the Buyouts of the remaining non-wholly owned Verio ISPs during 1998. See "--ISP Ownership Structure." The Company's decentralized regional management structure and equity incentive programs that are tied to regional performance foster continued entrepreneurial culture, local responsiveness and internal growth.

Integrate Operations and Capture Economies of Scale. The Company integrates and optimizes the operations of the ISPs it acquires by consolidating their operations into regional operating units with centralized regional management, connecting their local networks to Verio's high-speed, highly reliable national backbone, and providing them with Verio's integrated national support services. These services include national network transit, 7-day X 24-hour network monitoring and management, customer technical support, a sophisticated billing and collections system, financial information management through a central, standardized accounting system, and national marketing and product development programs. Through this integration of its national infrastructure with its local ISP operations, the Company believes that it has achieved a significant degree of operational control and efficiency and has improved the quality, consistency, and scalability of its services. The Company also has leveraged its national scale to establish peering relationships, to obtain favorable national

purchasing contracts and to establish strategic relationships with key hardware and software providers. These providers view Verio's ISPs as a powerful distribution channel. For example, Verio has entered into an agreement with Microsoft whereby Verio is offered as an "in the box" Web hosting program for Microsoft's FrontPage product and for Microsoft's Small Business Server Referral program, which facilitates small businesses' entry to the Internet using Verio's network. In addition, Verio has negotiated advantageous volume purchase agreements with key vendors such as Cisco and Raptor. In addition, Verio has obtained public and private peering arrangements with every major ISP other than UUNet, including MCI, Sprint and GTE Internetworking, as well as with over 90 smaller domestic and international networks. Furthermore, the Company's scale also allows it to support a high quality national network and invest in leading edge systems for network management, billing, customer service, and financial information.

Develop and Offer Enhanced Products and Services to Increase Revenues. Small and medium sized businesses are purchasing an increasing number of enhanced products and services as these businesses deploy mission critical applications on the Internet. As a result, the Company believes that it will be able to derive incremental revenue from these customers by selling an expanding array of enhanced services and additional bandwidth to support these services. The Company accelerated its ability to provide sophisticated Web hosting on a national scale through its acquisition of Internet Servers, Inc. ("iServer"). While Internet connectivity and Web hosting constitute the predominant services offered by Verio today, a number of additional high-margin enhanced services are being offered by the Company. These additional services include VPN, security services, electronic commerce, intranet services and other advanced Internet applications. Verio encourages continued innovation within its regional operations, and supports the identification and transfer of products, services and "best practices" among its regional operations. In addition, the Company's product development groups are focused on additional services to be developed both internally, through acquisition, and in conjunction with strategic partners. Verio has entered into, and expects to continue to enter into, relationships with selected Internet hardware, software, service and distribution companies to enhance the Company's ability to deliver cost-effective solutions to its customers, to gain early access to new technology, to cooperatively market and sell these new products, and to gain access to their distribution channels for the purpose of lead generation and customer acquisition.

Build Customer Loyalty and Brand Name Recognition. The Company's goal is to achieve national recognition as the leading provider of Internet services to small and medium sized businesses by rebranding its ISPs under the Verio name. The Company intends to leverage its local presence by continuing to expand and enhance local technical, distribution and customer support capabilities. By combining the quality of local service offered through the Company's regional operations with the Company's national backbone and support services, the Company expects to generate increased customer loyalty and expanding market share at the local level while enhancing its national brand. In conjunction with the consolidation of its ISPs into integrated regional operating units, the Company has branded these regional operations under the Verio name, with a regional or local geographical

identifier to emphasize its local presence. As the Company continues to expand, its acquisition strategy will be to continue to identify and select ISPs that have developed a strong local presence through quality service, hands-on customer support, local market knowledge and an entrepreneurial culture.

The Verio Organization

To date, the Company has pursued a regional acquisition strategy, acquiring independent, locally based ISPs in selected geographic regions. In each region, the Company sought a larger regional ISP to serve as the focal point for the region and as the vehicle for integrating and optimizing the networks and operations in that region. The Company also has invested in smaller ISPs to increase its local presence and market share. Having established a presence in each of its initially targeted regions, the Company has expanded its target markets to encompass all of the top 50 MSAs and is continuing to add incrementally to its presence within its existing regions. It is also in the process of consolidating most of the Verio ISP operations within each region into single, integrated operating units.

The Company conducts its operations with both a national and regional approach. As of February 27, 1998, the Company had acquired or invested in ISPs in eight regions of the country, and now has substantial operations in: the Pacific Northwest, serving the primary MSAs in Washington, Oregon and Idaho; Northern California, serving the greater Bay Area, Stockton and Sacramento; Southern California, serving the Los Angeles area, Orange County and San Diego; Texas and Louisiana, serving all of the major cities in Texas as well as New Orleans; the Northeast, serving the major MSAs from New Jersey to Boston and Upstate New York; the Mid-Atlantic, serving the Washington DC, Baltimore, Richmond and the I-95 corridor; and the Midwest, serving Chicago, Detroit, Ann Arbor, Kansas City, St. Louis, Omaha, Tulsa and Des Moines. In addition, the Company has funded a start-up operation in the Rocky Mountain region, which is in the early stages of establishing a presence in the Denver area and along the Front Range. The Company is focusing its expansion efforts on the Southeast, as well as seeking greater coverage in the Midwest. Verio also has substantially increased its national Web hosting presence with its acquisition of iServer, based on which Verio has established a national operating division through which it can offer Web hosting services to ISP customers throughout its geographic regions.

The following chart identifies the ISPs acquired by Verio to date, by operating region, and provides certain summary information concerning Verio's annualized revenues based on operating results for the three months ended December 31, 1997:

OPERATING REGION	PRIMARY MSAS SERVED	VERIO ISPS	REVENUE FOR THE THREE MONTHS ENDED DECEMBER 31, 1997(1)	ANNUALIZED REVENUE
				(IN THOUSANDS)
VERIO NORTHWEST			$5,667	$22,668
	- Seattle, WA	- NorthWestNet, Inc.		
	- Portland, OR	- AccessOne, Inc.		

	- Spokane, WA	- RAINet, Inc. - Internet Engineering Associates, Inc. - Pacific Rim Network, Inc. - Structured Network Systems, Inc.	
VERIO NORTHERN CALIFORNIA			2,411
9,644			
	- San Francisco - Sacramento - San Jose - Oakland	- AimNet Corporation - CCnet Inc. - West Coast Online, Inc. - NSNet, Inc.	
VERIO SOUTHERN CALIFORNIA			2,892
11,568			
	- Los Angeles - San Diego - Riverside/San Bernardino - Orange County	- Compute Intensive Inc.(2) - ATMnet, Inc.	
VERIO TEXAS/GULF SOUTH			4,284
17,136			
	- Houston, TX - Dallas, TX - San Antonio, TX - Austin, TX - Ft. Worth, TX - New Orleans, LA	- On-Ramp Technologies, Inc. - Signet Partners, Inc. - National Knowledge Networks, Inc. - Communique, Inc. - Sesquinet	
VERIO MID-ATLANTIC			2,259
9,036			
	- Washington, DC - Baltimore, MD	- Clark Internet Services, Inc. - Monumental Network Systems, Inc. - Internet Online, Inc.(3)	
VERIO NORTHEAST			2,264
9,056			
	- New York, NY - Boston, MA - Philadelphia, PA - Pittsburgh, PA - Hartford, CT - Newark, NJ - Buffalo/Niagara, NY - Providence, RI - Nassau/Suffolk, NY	- Global Enterprise Services - Pioneer Global Telecommunications, Inc. - ServiceTech, Inc. - Surf Network, Inc. - PREPnet - Wingnet	
VERIO MIDWEST			1,628
6,512			
	- Chicago, IL - St. Louis, MO - Detroit, MI - Kansas City, MO	- Verio Chicago(4) - Global Internet Network Services, Inc. - RustNet, Inc. - Branch Information Services, Inc.	
VERIO ROCKY MOUNTAIN			49
196			
	- Denver, CO	- Verio Colorado(5)	
VERIO WEB HOSTING			1,155
4,620			
	- National Product Offering	- Internet Servers, Inc.	
$90,436			

(1) These amounts reflect the full amount of revenues generated by all of the ISPs in each region, including ISPs in which the Company has not yet completed a Buyout, in which cases these amounts do not necessarily reflect the Company's percentage interest in such ISP.

(2) Verio has executed an Agreement and Plan of Reorganization with this ISP, pursuant to which Verio expects to effect the Buyout of all of the remaining fully diluted equity interests not currently owned by Verio prior to the consummation of the Offering.

(3) Verio holds approximately 33% of the fully diluted equity of this ISP. Verio does not currently expect to effect the Buyout of the remaining equity interests in this ISP prior to the consummation of the Offering.

(4) Funded as a start up to oversee Midwest operations and initiate operations in Chicago.

(5) Funded as a start up to oversee Rocky Mountain operations and initiate operations in the primary Colorado business centers, Verio Rocky Mountain is owned 66% by Verio. Verio has the right to acquire the remaining equity in this ISP upon the earlier of the consummation of the Offering or August 1998. Verio does not currently expect to effect the Buyout of the remaining equity interests in this ISP prior to the consummation of the Offering.

Products and Services

The Company currently offers, through its regional ISP operations, a comprehensive range of Internet connectivity and enhanced products and services. The specific products offered in each market are determined by the needs of the market and local telco tariffs. The Company intends to continue to develop a broad range of enhanced products and services independently, through acquisition, and through strategic relationships with key vendors.

Connectivity Services. Verio offers a variety of connectivity solutions, which include Internet access and third-party software and hardware implementations and configuration services, which are offered in bundled and unbundled packages. Internet access currently includes ISDN, frame relay, leased line access and dial-up connectivity. The Company is participating in trials for the deployment of new access technologies, such as xDSL and wireless access. The Company also offers a full range of customer premise equipment ("CPE") hardware required to connect to the Internet, including routers, CSU/DSUs, servers and other products as needed. Verio's regional operating units are able to take advantage of the Company's national purchasing and leasing relationships with a variety of partners in order to realize improved hardware pricing, lower cost leasing arrangements and bundled service offerings. Verio also offers a selection of software products including browsers, electronic mail, news and other solutions that permit customers to navigate and utilize the Internet. Additionally, Verio provides turnkey configuration solutions encompassing such services as domain name server ("DNS") support, telco line provisioning, IP address space assignment, router set-up, e-mail configuration, router security configuration and other set-up services.

Enhanced Services. The Company believes that its small and medium sized business customers will continue to increase their use of the Internet as a business tool and, as a result, will require an expanding range of enhanced services. The Company currently offers a variety of enhanced services. In addition, the Company's national marketing group is focused on developing new enhanced services through both internal development, acquisition and strategic relationships with software, hardware and content providers. The Company's current and planned enhanced services offerings include the following:

- Web Hosting and Co-location. Web hosting offers business customers a presence on the Internet, enabling them to take advantage of the marketing, customer service, internal company information ("intranets") and other benefits offered by such presence. Verio offers its customers Web hosting services on a national basis as well as through local data centers. The services include the full range of Web hosting, Web design, Web site maintenance and ongoing consulting services through a combination of internal efforts and the use of independent partners. The Company also offers Web site co-location, where a customer-owned Web server is located at a Verio ISP POP for higher reliability. This solution allows the customer to own its own Web server without having to maintain and manage the data center environment. The Company's acquisition of Utah-based iServer gives the Company access to proprietary Web server technology, an extensive network of Web hosting resellers and over 25,000 hosted Web sites. The Company believes it will be able to leverage iServer's proprietary "virtual server" technology across its regional operations to accelerate the growth and increase the profitability of its Web hosting product line. In addition to offering Web hosting services, the Company has established national Web hosting and co-location services by operating high-end, highly reliable data centers positioned close to major network access points. The Company is consolidating the majority of its Web hosting capability into its regional data centers across the country, strategically located near the Company's public and private peering points. The Company also intends to implement emerging content distribution technologies such as content replication ("mirroring") and caching for enhanced end user performance. Currently, the Company supports over 35,000 domains and provides hosting services to over 1,600 resellers.

- Security. Security solutions are a vital component for most businesses connected to the Internet. These solutions, which include firewalls, packet filter and proxy servers, give the customer (i) an ability to prevent intruders from accessing its corporate network, (ii) authentication of users attempting to gain access, and (iii) encryption services, providing secured transmission of company data through the Internet. The Company currently offers a comprehensive set of firewall products from Raptor, including the sophisticated Eagle Firewall(TM) and the more simplified products known as The Wall(TM). The Company also offers proxy server solutions such as the Microsoft Proxy Server. Additionally, the Company offers a "managed" security solution that provides ongoing detection and prevention of intrusions. The Company plans to expand its security product line with new solutions that simplify, reduce cost, or offer greater functionality as they become commercially available.

- Virtual Private Network ("VPN"). Many companies today have private data communication networks, which are often referred to as wide area networks ("WANs") and built on expensive leased lines, to transfer proprietary data between office locations. The Internet offers companies a cost- effective

replacement alternative to WANs through VPNs, which are meant to provide secure transmission of private Internet Protocol ("IP") traffic through the Internet. Additionally, many companies require that their employees have remote access to these private networks from home or while traveling. VPN products are available in hardware, software, firewall and service provider formats. VPN products are also the basis for offering intranet and extranet services. Intranets are corporate/organizational networks that rely on Internet-based technologies to provide secure links between corporate offices. Extranets expand the network to selected business partners through secured links on the Internet. Increasingly, companies are finding that intranets and extranets can enhance corporate productivity more easily and less expensively than proprietary systems. The Company currently offers its customers a number of VPN solutions, including Raptor's VPN products and is in the process of evaluating additional products to meet the needs of customers.

- National Roaming. Employees of small and medium businesses are increasingly dependent on accessing their e-mail while on the road. Currently, many users either cannot do so because of the limitations of their local ISP, or they are required to pay expensive long distance access charges. The Company is in the process of implementing a national dial-up access roaming product to enable dial-up business customers to access the Internet locally as they travel throughout the country and abroad.

- Electronic Commerce Solutions. Electronic commerce provides users the ability to sell products and services on the Internet. The Company currently provides e-commerce capability to over 500 customers by providing the three principle functions of electronic commerce: secure socket layer, shopping cart support, and transaction processing capability. Secure socket layer ("SSL") is provided through its Premier Business Partner relationship with Verisign for digital certificates. The Company supports a large variety of shopping carts, including Shop Site by Icentral, and provides support for third party transaction processing through Cybercash and AuthorizeNet. The e-commerce solutions are packaged according to the complexity of the individual customer's needs. The Company also intends to provide enhanced e-commerce hosting environments, as well as to make use of third party software development partners to provide certain turnkey e-commerce applications, such as an on-line catalogs. 35 - Professional Services. The Company's target customers typically do not have the internal resources or personnel to design and maintain Internet services. As more businesses utilize the Internet for mission critical applications, the Company expects its customers to rely on their ISP for support of many of their information technology applications. As a result, the Company believes it will be increasingly important for ISPs to offer onsite, technical consulting to customers. The Company currently offers a full complement of professional services to its customers, including network and system design, Web content creation, security system needs analysis and implementation, virtual private network design and implementation, and other Internet-related consulting projects. The Company intends to invest in additional professional services capabilities as they are required to provide customers with turnkey Internet solutions.

- Enhanced Products and Services. Customers are increasingly seeking to tailor the use of the Internet to their business. Verio intends to serve these needs through the packaging and configuration of third party applications, such as data storage and retrieval, IP telephony (which permits users to make voice calls on the Internet), Internet faxing, Internet audio and video conferencing solutions, and other

applications that may be developed. As businesses commit to using the Internet, the Company believes that the advanced applications product category will continue to expand, offering additional revenue opportunities. For example, the Company currently provides mail list services to customers that have a need to send out hundreds of thousands of e-mail messages to their customers, suppliers and prospects.

Verio has and intends to continue to enter into agreements with Internet companies to leverage their products, brand names, distribution channels and other assets. Verio believes that its existing Internet product and service partners have been attracted to the Company because of its broad geographic coverage, ability to influence purchase decisions of its business customers, and the ability of the Verio sales forces to sell complex Internet solutions. The Company has established strategic relationships with software providers such as Microsoft, Oracle and Raptor, and equipment providers such as Cisco and Farallon, and intends to expand its strategic relationships with additional companies in key areas. These relationships provide the Company with benefits including preferred pricing, access to the latest products, co-marketing with the vendors, tailored product training and access to the vendor's distribution channels to generate leads for new customers.

Sales and Marketing

Verio offers its products and services through a consultative sales approach which makes use of local technical talent to understand customer applications and provide bundled Internet applications solutions consisting of hardware, software, access and value-added services. Verio believes that this localized approach will allow it to provide end-to-end customer solutions and ongoing support. Verio and its ISPs have significant distribution capabilities both through a direct sales force and indirect channels. The direct sales forces offer a core base of technically competent, locally based and experienced Internet sales representatives. Verio is focusing efforts on expanding the direct sales force, further developing indirect channels and optimizing lead generation techniques to reduce the cost of new customer acquisitions.

The Company currently provides Internet services to over 80,000 customers. Over 5,000 of these customers are provided dedicated connectivity services by Verio, and over 12,000 receive Web hosting or Web site server co-location services from Verio. Through the Company's Web services, over 35,000 domains (i.e. Verio.net) are hosted. The over 60,000 remaining customers are provided dial-up connectivity services, the majority of which are used for business purposes.

Direct Sales. Verio's ISPs have a direct sales force of more than 100 individuals. These local sales representatives have a strong Internet technical background and understand the local telecommunications tariffs as well as the needs of their local business community. Additionally, these representatives are familiar with local companies to assist in implementing customized solutions such as Web page content development. The Company has developed programs at the national level to attract and train high quality, motivated sales representatives that have the necessary technical skills, consultative sales experience and knowledge of their local markets. These programs include technical sales training, consultative selling techniques, sales compensation plan development, and sales representative recruiting profile identification. Through the effective use of 36 these initiatives, Verio

plans to continue to expand its direct sales force. At the local level, direct marketing techniques are being employed to target customer segments that would achieve substantial benefit from the business applications afforded by the Internet. Some direct marketing tactics include direct mail, telemarketing, seminars and trade show participation. The Company is working with key vendors to assist in these direct marketing efforts. Verio co-markets with these vendors through direct mail programs, joint seminar development and joint trade show involvement.

Resellers and Indirect Sales. The Company has an authorized reseller and referral program that permits the regional operating units to adapt a formal indirect distribution program to their markets. The Company believes indirect channels are a significant contributor to its growth. The Company already has over 1,600 formal and informal reseller arrangements established. The authorized reseller program offers reseller partners the ability to share in the on-going revenue stream of customers they bring to Verio. Reseller partners include system integrators, value-added resellers and other companies that have an established relationship with the prospective customer base, and have a sales force capable of selling Internet services as a part of the reseller's suite of services. Referral partners, including organizations such as Web designers, advertising agencies or property managers, are another source of customer leads. The referral program targets organizations that are less capable of selling Internet services or where Internet services fall outside their core business interests. The benefits of these programs to Verio include greater market reach without fixed overhead costs and the ability to use the partners to assist in the delivery of complete solutions to meet customer needs. In addition to local resellers, Verio is working with several national companies to expand its indirect sales capability.

Branding. The Company's branding approach is intended to transfer Verio's national strength to its ISPs while transferring each ISP's local presence and support to the Verio brand. In conjunction with the consolidation of its ISPs into integrated regional operating units, the Company is branding these regional operations under the Verio name, with a regional or local geographical identifier to emphasize its local presence. Additionally, the Company's national public relations efforts serve to raise the awareness of Verio, which the Company expects will continue to generate leads.

Verio National Network

Overview. Verio owns and operates a national network, providing a high bandwidth, highly reliable data transmission path connecting Verio's customers to the Internet, which the Company believes is adequate for the provision of current and future planned access and enhanced services needs. The Company's national network interconnects more than 15 national nodes and over 180 local POPs across the United States. The Company believes that aggregating the bandwidth and capacity requirements of its regional operations onto one national network provides operational control and efficiency, reduces costs, provides redundancy, and results in a higher quality service, thereby addressing some of the most significant challenges that an ISP faces in supporting its customers. Verio's national infrastructure also incorporates several other elements critical to maintaining the highest quality Internet service, including a high capacity national network, peering relationships with other national ISPs, sophisticated network management tools and engineering support services.

Network Infrastructure. As of February, 1998, the national network carried traffic for 20 of the Verio ISPs and the remaining ISPs' traffic will be added as growth drives the need for additional capacity, as private peering is implemented and as their current transit contracts expire. It is currently anticipated that by the end of the second quarter of 1998, five additional Verio ISPs will deliver traffic to the Verio network.

Following is a diagram of the Company's national network as of February 1998:

[graphic to be inserted showing diagram of the Company's national network infrastructure] Currently, the national network architecture includes a presence at selected national exchange points and redundant network nodes to link the Company's regional networks to the national network. As of February, 1998, Verio's network included connectivity at MAE West, MAE East and the NY NAP, each of which is a major national exchange point for ISPs. The Company also has a presence at the Palo Alto Internet Exchange (PAIX), NASA Ames and a number of other regional connecting points, including Seattle, Washington; Portland, Oregon; Sacramento and San Diego, California; Denver, Colorado; Dallas and Houston, Texas; Chicago, Illinois; Ann Arbor, Michigan; Philadelphia, Pennsylvania; and Boston, Massachusetts. Each of these Verio locations features leading router technology. The equipment is located in facilities leased from a variety of telecommunications providers, including MCI, Sprint, MFS, Brooks and others. These access points are linked, using a nationwide, high-speed DS-3 (45 Mbps) and OC-3 (155 Mbps) Asynchronous Transfer Mode ("ATM"), and DS-3 and OC-3 clear line network infrastructure, utilizing capacity leased from a variety of national telco providers, including Sprint, MCI, WorldCom and Qwest. The ATM portion of the network relies on Sprint's 4-fiber ring SONET network. Sprint's SONET architecture is designed to survive multiple failures with near instant restoration to full capacity, thereby providing highly reliable performance. This combination of clear channel circuits, ATM and router architecture provides reliability to the network through path diversity and redundancy. Verio's regional operating units either co-locate at these access nodes or lease connectivity from a local service provider such as an RBOC or other LEC to connect to the Verio equipment.

Work has begun to add national access nodes to serve additional parts of the Midwest, Southern California, Texas, the Northeast and the Southeast which the Company currently plans to put on-line during the second quarter of 1998. Multiple national access nodes facilitate connection to Verio's national network by its regional operations. The Company plans to add additional private peering points and access nodes as it acquires more ISPs and expands operations, and to further increase network capacity as the need for additional bandwidth arises.

The national network is planned to allow for rapid expansion of bandwidth through scaleable design supported by multiple local access and interexchange carriers to provide the required bandwidth. The Company has begun the migration of selected links from ATM to clear line. It is anticipated that the Company will require nationwide OC-3 capacity in late 1998 to handle its projected traffic requirements. The Company anticipates the potential need to exceed OC-3 speeds in 1999. The Company has entered into a relationship with MCI as its second carrier. This relationship provides access to MCI's high-speed and local services for the Company's national network, as well as its

regional networks. The Company has signed a non-binding memorandum of understanding for a $100.0 million, seven year commitment with a provider of long haul telecommunications services in order to reduce the per unit costs of such services. The Company believes that the currently installed Cisco routers will be sufficient to support its traffic routing needs up to and including OC-3 speeds. To handle the routing at speeds higher than OC-3, new technology will be required. The Company is investigating various options to support these higher speeds and bandwidth requirements. Verio's options include switching, higher capacity and faster routers, or hybrid routing and switching solutions.

Peering Relationships. By implementing its own national network and establishing peering relationships with other national ISPs, the Company believes it can lower the cost of its Internet transit and increase the control and reliability of its network operations. Peering is the Internet practice under which ISPs exchange 38 each other's traffic without the payment of settlement charges. The basis on which the large national ISPs make peering available or impose settlement charges is evolving as the provision of Internet access and related services has expanded and the dominance of a small group of national ISPs has driven industry peering policy. Recently, companies that have previously offered peering have cut back or eliminated peering relationships and are establishing new, more restrictive criteria for peering. The Company believes that substantial traffic volume and national scale will continue to be the focal criteria necessary to establish and maintain peering relationships. As a result, it has become increasingly important for companies seeking to take advantage of peering to have significant traffic, a national network and monitoring capability.

The Company has established peering relationships with every major ISP other than UUNet, including MCI, Sprint and GTE Internetworking (formerly BBN). The Company also peers with over 90 smaller domestic and international networks and is evaluating further private peering relationships with other national ISPs. Some large network providers now prefer to peer at private exchange points rather than at national exchange points. This preference represents the desire to accomplish the exchange of high bandwidth traffic in a more efficient manner rather than to risk congestion and equipment failure at public exchange points. The Company has moved its GTE Internetworking and DIGEX public peering points to private peering locations and is in the process of moving its MCI public peering point to a private peering location. Verio also is evaluating additional private peering proposals from other national ISPs. The Company currently anticipates that, as Verio's traffic grows, more peering relationships can be obtained. However, no assurance can be given that peering relationships will continue to be made available to the Company. Even if these relationships are not maintained or established, Verio believes that it will be more economical for Verio to maintain an exchange point transit agreement than to pay other national ISPs for transit. See "Risk Factors -- Dependence upon Implementation of Network Infrastructure; Establishment and Maintenance of Peering Relationships."

National Network Management. The Company considers world-class network management an essential capability for network monitoring and expansion, maintaining high customer satisfaction and improving network quality. The Company has established a 7-day X 24-hour NOC to allow continuous monitoring of the network and to provide a single point of contact for real-time network status information and customer technical problem resolution. The NOC is designed to provide real-time

alarming, event correlation, traffic management and forecasting, and distributed notification of the network events and network status. The Company utilizes many leading edge systems to provide the NOC capabilities. The Company currently monitors the national network and the local networks of approximately 15 of the ISPs it has acquired. The Company plans to provide network and customer monitoring throughout its regional operations by the end of 1998.

Engineering Support Services. The Company has negotiated national level telecommunications contracts with LECs, such as MFS/WorldCom, providing favorable terms for local transport. The Company plans to expand national purchasing and leasing benefits as well as technical planning and support to improve the performance, reliability and economics of its regional networks. National level purchasing benefits include both cost and vendor performance issues as well as the provisioning of spare equipment and additional technical support from the suppliers. National level distribution agreements have been negotiated with a number of additional national-scope suppliers. The Company's relationships with Sprint and MCI provide discounted services including leased line, local access and long distance. Co-location agreements have also been established with companies such as Sprint, MCI, Brooks, MFS/WorldCom and Digital Equipment Corporation. The Company is pursuing additional vendor and telecommunication relationships in an effort to reduce the cost of equipment and improve network quality.

Technical Planning and Support. The national engineering team provides engineering support for routing configurations, telecommunications management and pricing, development of local networks and purchasing and contract negotiation. The national engineering team also works with the regional engineering teams to nationalize certain network elements, improve performance and reduce network costs. Support includes Internet protocol addressing support, training and technology. This effort of sharing ideas and best practices among the national team and the regions is intended to enhance the engineering talent available locally and to share best practices nationally. 39

National Support Services

In addition to its national network and network monitoring capability, Verio has developed and implemented three critical national support services designed to increase operational efficiencies and enhance the quality, consistency and scalability of the Company's services. These support services include 7-day X 24-hour customer technical support and service, financial information management through a central, standardized accounting system, and a sophisticated billing and collections system. The strategy of creating a partnership between local support teams and Verio's established national support services enables the Company to capture economies of scale, improve quality and responsiveness, and increase productivity, while allowing local personnel to focus on relationships with customers.

Customer Technical Support. Verio's customer care combines the responsiveness and on-site capabilities of local ISP presence with the scale economies of a national customer support center in order to deliver customer care to businesses. While local, independent ISPs bring the benefits of understanding customer needs and providing hands-on support demanded by their customers, they

lack the ability to cost-effectively scale internal resources to independently support their growing customer base. The Company's national customer support center (located in Dallas, Texas) enables Verio to provide 7-day X 24-hour responsiveness while maintaining the ability to provide on-site installation assistance, hands-on troubleshooting and access to local experts who understand the customer's business. The Company is currently providing customer care services to 18 of the ISPs it has acquired and will offer services to all of the Verio regional operations as the national customer support center continues to expand throughout 1998. The support center team is utilizing a leading customer support trouble ticketing and workflow management system offered by the Vantive Corporation. The system offers the Company the ability to track, route, and report on customer issues and provides significant benefit in ensuring quality and timely care to customers.

Financial Information Management. The Company is in the process of converting all of its ISPs to the PeopleSoft(TM) financial reporting system and the ADP payroll/human resources system, in order to provide a central, standardized accounting system. Currently, 16 of the Verio ISPs are utilizing the financial reporting system and eight are utilizing the payroll human resources system. These systems which enable Verio to cost effectively increase the productivity and quality of administrative support by standardizing operational systems such as payroll, payables, purchasing and financial reporting. These enhancements are part of the Company's initiative to implement continuous improvement methodology and to create a learning organization.

Billing and Collections. The Company has implemented the Kenan Systems' EC Arbor billing solution which offers high quality, flexibility, cost-effectiveness and scalability. Kenan is a leading billing solutions provider to the telecommunications industry, providing accurate, timely, and easy-to-understand invoicing. This system currently serves 13 of the Verio ISPs. The Company is aggressively rolling out this billing platform to all of its regional operations and will continue on the path toward centralized management of billing operations.

Isp Ownership Structure

While the Company now typically seeks to acquire 100% of new ISPs, the Company's early acquisition strategy was to rapidly build mass and scale by acquiring less than 100% of its ISPs. In each case where the Company acquired less than 100% of an ISP initially, it obtained the right to acquire the remaining equity in the future at a price based on either agreed upon revenue multiples or the fair market value of the ISP. As part of its integration strategy, the Company is in the process of effecting the Buyouts of most of its remaining non-wholly owned ISPs through the use of cash on hand and the issuance of equity. As of February 27, 1998, Verio has consummated the Buyout of 11 ISPs. Verio expects to consummate the Buyouts of all of its remaining non-wholly owned ISPs, other than Internet Online, Inc. and Verio-Rocky Mountain, prior to the consummation of the Offering. However, there can be no assurance that the Company will be able to complete these additional Buyouts at the times, or on the terms and conditions, that it currently contemplates.

As the Company completes the Buyouts, in general, the ISPs in each region are consolidated into a single, integrated regional operating subsidiary which is wholly owned by the Company. In certain instances, some of the ISPs may continue to exist as separate, indirect, wholly owned subsidiaries of Verio, but operated as part of the particular integrated operating region.

Verio also currently holds a 20% interest in Centennial International Access, Inc. (which does business under the name V-I-A Internet), a start-up company which was formed to pursue a consolidation strategy similar to that of the Company in international markets. Other investors in that entity include certain of Verio's current stockholders. Justin L. Jaschke, Chief Executive Officer of the Company, currently serves as the Chairman of the Board of V-I-A Internet, and Steven C. Halstedt, Chairman of the Board of the Company, currently serves as the acting President of V-I-A Internet. See "Management."

Competition

The market for Internet connectivity and related services is extremely competitive. The Company anticipates that competition will continue to intensify as the use of the Internet grows. The tremendous growth and potential market size of the Internet access market has attracted many new start-ups as well as existing businesses from different industries. Current and prospective competitors include, in addition to other national, regional and local ISPs, long distance and local exchange telecommunications companies, cable television companies, direct broadcast satellite and wireless communications providers, and on-line service providers.

ISPs. According to Boardwatch magazine's directory of Internet Service Providers, there are currently over 4,000 ISPs in the United States, consisting of national, regional and local providers. The Company's current primary competitors include other ISPs with a significant national presence which focus on business customers, such as UUNet, GTE Internetworking, PSINet, Concentric Network and DIGEX. While the Company believes that its level of local service and support and target market focus distinguish it from these competitors, some of these competitors have significantly greater market presence, brand recognition, and financial, technical and personnel resources than the Company, and have extensive coast-to-coast Internet backbones. The Company also competes with unaffiliated regional and local ISPs in its targeted geographic regions.

Telecommunications Carriers. All of the major long distance companies (also known as interexchange carriers or IXCs), including AT&T, MCI, and Sprint, offer Internet access services and compete with the Company. The recent sweeping reforms in the federal regulation of the telecommunications industry have created greater opportunities for LECs, including the RBOCs, to enter the Internet connectivity market. In order to address the Internet connectivity requirements of the current business customers of long distance and local carriers, the Company believes that there is a move toward horizontal integration through acquisitions of, joint ventures with, and the wholesale purchase of connectivity from, ISPs. The WorldCom/MFS/UUNet consolidation, the NETCOM/ICG merger, the Intermedia/DIGEX merger and GTE's acquisition of BBN are indicative of this trend. Accordingly, Verio expects that it will experience increased competition from the traditional telecommunications

carriers. Many of these telecommunications carriers, in addition to their substantially greater network coverage, market presence, and financial, technical and personnel resources, also have large existing commercial customer bases. Furthermore, telecommunications providers may have the ability to bundle Internet access with basic local and long distance telecommunications services. Such bundling of services may have an adverse effect on the Company's ability to compete effectively with the telecommunications providers and may result in pricing pressure on the Company that would have an adverse effect on the Company's business, financial condition and results of operations. The Company believes that its local presence and its strong technical and data-oriented sales force is an important feature distinguishing it from the centralized voice-oriented sales approach typified by the current Internet connectivity services offered by the IXCs and LECs.

Cable Companies, Direct Broadcast Satellite and Wireless Communications Companies. Many of the major cable companies have announced that they are exploring the possibility of offering Internet connectivity, relying on the viability of cable modems and economical upgrades to their networks. MediaOne Group and TCI have recently announced trials to provide Internet cable service to their residential customers in select areas. However, the cable companies are faced with large-scale upgrades of their existing plant equipment and infrastructure in order to support connections to the Internet backbone via high-speed cable access devices.

Additionally, their current subscriber base and market focus is residential which requires that they partner with business-focused providers or undergo massive sales and marketing and network development efforts in order to target the business sector. Several announcements also have recently been made by other alternative service companies approaching the Internet connectivity market with various wireless terrestrial and satellite-based service technologies. These include Hughes Network System's DirecPC product that provides high-speed data through direct broadcast satellite technology; CAI Wireless System's announcement of an MMDS wireless cable operator launching data services via 2.5 to 2.7 GHz and high-speed wireless modem technology; Cellularvision's announcement that it is offering Internet access via high-speed wireless LMDS technology; and Winstar, which currently offers high-speed internet access to business customers over the 38 GHz spectrum.

On-line Service Providers. The predominant on-line service providers, including America Online, CompuServe, Microsoft Network, and Prodigy, have all entered the Internet access business by engineering their current proprietary networks to include Internet access capabilities. The Company competes to a lesser extent with these on-line service providers.

Recently, there have been several announcements regarding the planned deployment of broadband services for high speed Internet access by cable and telephone companies through new technologies such as cable modems and xDSL. While these providers have initially targeted the residential consumer, it is likely that their target markets will expand to encompass the Company's targeted markets, which may significantly affect the pricing of the Company's service offerings.

Properties

The Company's corporate headquarters is located in Englewood, Colorado where the Company leases approximately 39,200 square feet of office space. The Company's lease agreement, which commenced February 1, 1998, is for a term of five years. The Company also has executed a lease covering 12,600 square feet of space in the InfoMart in Dallas, Texas, where the Company maintains its network operations center and customer support center. That lease expires on June 30, 2002. The Company also leases space, typically less than 200 square feet, in various geographic locations to house network infrastructure and telecommunications equipment. Operational functions are principally located in the offices of its regional operations. The Verio ISPs typically are party to lease agreements for administrative office space sufficient for their respective personnel, as well as smaller site leases to house their network equipment.

Employees

As of February 26, 1998, the Company employed approximately 853 people, including full-time and part-time employees at both its corporate headquarters in Colorado and network operations and customer support center in Texas. The Company considers its employee relations to be good. None of the employees of the Company is covered by a collective bargaining agreement.

Trademarks and Trade Names

The Company filed for federal trademark protection of "Verio" on November 29, 1996. This application is pending and the Company has no assurance that it will be granted. Trademark protections for the Verio mark also have been applied for in the European Economic Community, as well as in Japan. Additionally, corporate name reservations for the name "Verio Inc." have been filed in all fifty states. In conjunction with the consolidation of its ISPs into regional operating entities, the ISPs have migrated to the Verio brand name, with a regional or local geographical identifier appended.

Legal Proceedings

The Company is not currently party to any material legal proceedings.

Management

Directors and Executive Officers

The following table sets forth the names, ages as of February 26, 1998, and positions of the executive officers and the directors of the Company. Their respective backgrounds are described below.

Name	*Age*	*Position(s)*
Steven C. Halstedt	51	Chairman of the Board
Justin L. Jaschke	40	Chief Executive Officer, Director
Mark D. Johnson	38	President and Chief Operating Officer, Director
James C. Allen	51	Director
Trygve E. Myhren	60	Director
Paul J. Salem	34	Director
Stephen W. Schovee	38	Director
George J. Still, Jr	39	Director
Sean G. Brophy	39	Vice President of Corporate Development
James F. B. Browning	43	Vice President of Operations
Chris J. DeMarche	41	Chief Technical Officer
Carla Hamre Donelson	42	Vice President, General Counsel and Secretary
Peter B. Fritzinger	39	Chief Financial Officer
Deb Mayfield Gahan	43	Vice President of Finance and Administration
James M. Kieffer	36	Vice President of Customer Operations
John R. Viviani	43	Vice President of Sales and Marketing

All of the officers identified above serve at the discretion of the Board of Directors of the Company. There are no family relationships between any persons identified above. The following are brief biographies of the persons identified above.

Steven C. Halstedt has served as Chairman of the Board of Directors of Verio since the Company's inception in March 1996. Mr. Halstedt is a co-founder of The Centennial Funds. Mr. Halstedt has 16 years of direct venture capital experience and serves as a general partner of each of the Centennial Holdings' partnerships. Prior to co-founding The Centennial Funds in 1981, he was Executive Vice President and Director of Daniels & Associates, Inc., a private communications service company involved in cable television system operations. Mr. Halstedt is a member of the Board of Directors of Formus Communications, Inc., Pluto Technologies International, Inc. and Centennial International Access, Inc., doing business as "V-I-A Internet", where Mr. Halstedt also serves as acting President. Mr. Halstedt was recently a director of Centennial Communications Corp., Masada Security Holdings, Inc. and Triax Communications Corp. He is also former Chairman of the Board of OneComm, PageAmerica Group, Inc. and Orion Network Systems, Inc., all publicly traded telecommunications companies. Mr. Halstedt was also the founding President of the Colorado Venture Capital Association and has served as its Chairman. Mr. Halstedt received a Bachelor of Science with distinction in Management Engineering from Worcester Polytechnic Institute, and earned a Master of Business Administration from the Amos Tuck School of Business Administration at Dartmouth College, where he was named an Edward Tuck Scholar. He attended the University of Connecticut School of Law. He was a Platoon Leader and Battalion Operations Officer in a U.S. Army Combat Engineer Battalion in Vietnam. Mr. Halstedt has taught computer programming at both the U.S. Army Engineering School and Dartmouth College.

Justin L. Jaschke has served as Chief Executive Officer of Verio since the Company's inception in March 1996. He is also a member of the Company's Board of Directors. Prior to forming Verio, Mr. Jaschke served as Chief Operating Officer for Nextel following its merger with OneComm in July of 1995. Mr. Jaschke served as OneComm's President and a member of its Board of Directors from the

time that he joined that company in April 1993 until the merger with Nextel. Mr. Jaschke currently serves as Chairman of the Board of Directors of V-I-A Internet and also serves on the Board of Directors of Metricom, a leading wireless data communications provider, and on the Board of Directors of Dobson Communications, a rural cellular and local exchange provider. From May 1990 to April 1993, Mr. Jaschke served as President and CEO of Bay Area Cellular Telephone Company. From November 1987 to May 1990, Mr. Jaschke was Vice President of Corporate Development of PacTel Cellular, and from 1985 to 1987 was Director of Mergers and Acquisitions for PacTel Corporation. Prior to that, Mr. Jaschke was a management consultant with Marakon Associates. Mr. Jaschke received a Bachelor of Science degree summa cum laude in mathematics from the University of Puget Sound and a Master of Science degree in management from the Sloan School of Management at MIT.

Mark D. Johnson has served as the President and Chief Operating Officer of Verio since joining the Company in May 1997. He is also a member of the Company's Board of Directors. Prior to joining Verio, Mr. Johnson was the President -- Nextel Northern California, having been appointed to that position following Nextel's merger with OneComm. With OneComm, Mr. Johnson was chief operating officer in his role of Senior Vice President of Operations from November 1994 until the Nextel/OneComm merger in the summer of 1995. He also held positions as OneComm's Senior Vice President of Marketing and Vice President of Marketing after joining OneComm in May 1993. Mr. Johnson spent the first ten years of his career as a general management consultant. As a senior partner of Gemini Consulting, he served as head of Gemini's San Francisco office from 1990 to 1992, and was responsible for the firm's West Coast technology and communications practice. Mr. Johnson also serves on the Board of Directors of NewMonics, a company designing and producing PERC, a JAVA virtual machine for the embedded applications market. Mr. Johnson holds a Bachelor of Science degree summa cum laude in finance from Arizona State University and a Master of Business Administration from Harvard Business School.

James C. Allen has served as a director of Verio since May 1996. Mr. Allen also serves as CEO, Brooks Fiber Properties, Inc. Mr. Allen has twenty-five years of experience as an entrepreneur, operator, financier, expert witness and advisor in cable television and broadband telecommunications. Mr. Allen was a founder and former President, CFO and COO of Cencom Cable Associates, which was purchased by a subsidiary of Hallmark Cards, and a former Vice President of Operations of Telcom Engineering, Inc., a telecommunications engineering and consulting firm with clients in both the telephone and cable television industries. Mr. Allen previously held positions as Vice President of Operations of United Cable Television, Divisional Manager of Continental Telephone Corporation, and Vice President of Finance for National Communications Service Corporation. Most recently, he served as Chief Financial Officer and Chief Operating Officer of David Lipscomb University from which he holds a Bachelor of Science degree.

Trygve E. Myhren has served as a director of Verio since April 1997. Mr. Myhren is President of Myhren Media, Inc. which invests in and advises media, communications and consumer products companies. From 1990 to 1996, Mr. Myhren was President and a director of The Providence Journal Company. From 1975 until 1988, Mr. Myhren was an officer of American Television and Communications Corporation (ATC), the cable television subsidiary of Time, Inc. (now Time/Warner

Cable), serving as Chairman and CEO from 1980 to 1988. Mr. Myhren also serves on the boards of The Providence Journal Company, Advanced Marketing Services, Peapod, Ltd., CableLabs, J.D. Edwards, Inc., Founders Funds and The University of Denver. Previously, Mr. Myhren served as chairman of the National Cable Television Association (NCTA), and also served on the boards of Turner Broadcasting Systems, Continental Cablevision, Inc., Citizens Bank and several internal Time, Inc. boards, including Home Box Office, Temple-Eastex and Time Magazine Group. He also served on the FCC's Advisory Committee on High Definition TV. Mr. Myhren has an undergraduate degree in political science and philosophy from Dartmouth and a Master of Business Administration from the Amos Tuck Graduate School at Dartmouth. He served three and one-half years as a naval officer with the U.S. Pacific Fleet.

Paul J. Salem has served as a director of Verio since December 1996. Mr. Salem is a Managing Director of Providence Equity Partners, Inc., and is a partner of the general partner of Providence's private equity funds. Providence manages over $500 million in equity and specializes in communications and media investments. Mr. Salem has been responsible for many of Providence's investment activities, including its investments in competitive local exchange companies, enhanced specialized mobile radio, wireless data networks, radio representation, telecommunications infrastructure and other areas. He is currently a director of Interep National Radio Sales, Inc., MetroNet Communications Corp., Wired Ventures, Inc. and UniSite, 44 Inc. Prior to joining Providence, Mr. Salem worked for Morgan Stanley & Co. in corporate finance and mergers and acquisitions. Previously, Mr. Salem spent four years with Prudential Investment Corporation, an affiliate of Prudential Insurance, where his responsibilities included private placement financings, leveraged buyout transactions and establishing Prudential's European investment office. Mr. Salem received a Bachelor of Arts from Brown University and a Master of Business Administration from Harvard Business School.

Stephen W. Schovee has been a director of the Company since the Company's inception in March 1996. Mr. Schovee serves as Managing General Partner of Telecom Partners, L.P. Mr. Schovee was previously co-founder, Chief Executive Officer and a Director of OneComm from its inception until its merger with Nextel. Prior to that, Mr. Schovee was a Vice President of Centennial Holdings, the manager of the Centennial Funds, a Denver based venture capital fund with over $400 million of subscribed capital. Mr. Schovee was a partner in two of the Centennial Funds where he focused on telecommunications investments. Mr. Schovee is a special limited partner of Centennial Fund IV, L.P. and Centennial Fund V, L.P. He is the Chairman of Product Partners, Inc., and a director of SMR Direct, Intergram International, Formus Communications and Mercury Mail. Mr. Schovee received a Bachelor of Science degree in mechanical engineering from Bucknell University and a Master of Business Administration from The Wharton School.

George J. Still, Jr. has been a director of the Company since the Company's inception in March 1996. Mr. Still, based in Palo Alto, California, is a Managing Partner of Norwest Venture Partners VI, L.P. and Norwest Equity Partners V, L.P., and a General Partner of Norwest Equity Partners IV. From July 1984 until October 1989, he was a General Partner with the Centennial Funds based in Denver, Colorado. Prior to Centennial, Mr. Still was with Ernst & Whinney (now Ernst & Young) in San Francisco. Currently, he is a Director of PeopleSoft, Inc. and 3Dfx Interactive, both public companies. In addition,

he serves on the board of several private companies, including Metapath Software Corporation, Intrepid Systems, ObjectStream, Inc., and Chordiant Software. Further, Mr. Still serves as a Director of the National Venture Capital Association. He holds a Bachelor of Science degree from Pennsylvania State University and a Master of Business Administration from the Amos Tuck School at Dartmouth College.

Sean G. Brophy has served as Vice President of Corporate Development since November 1997, and prior to that served as Vice President of Marketing and Business Development for the Company since joining Verio in May 1996. Mr. Brophy served as Vice President of Marketing for OneComm and then Nextel from 1994 to 1996. He worked at Northern Telecom from 1990 through 1994 in a variety of capacities, including strategic planning and product management, where he had global responsibilities for new products for Personal Communications Services. Prior to that he worked at Bell Northern Research, the research and development arm of Northern Telecom, designing telephone equipment and services ranging from the DMS-100 to key systems. While there he was awarded patent and design excellence awards. Mr. Brophy holds a Bachelor of Science degree in computer engineering from McMaster University, a Master of Science degree in electrical engineering from Carleton University and a Master of Science degree in management from the Sloan School of Management at MIT.

James F. B. Browning was appointed Vice President of Network Operations for the Company in January 1998, having previously served as President and CEO of ATMnet, a company he founded in 1995 to provide integrated digital communications services to businesses with broadband networking requirements. Verio acquired ATMnet in November 1997. Mr. Browning has 20 years of experience managing high technology development and operations. From 1988 to 1994, as co-founder, he served as Chief Operating Officer of VisiCom Laboratories, Inc., a systems engineering firm specializing in digital satellite communications and operating system level software development. From 1983 to 1988, Mr. Browning served as Executive Vice President and then President of Pacific Microcomputers, Inc., which developed and produced Single Board Computers for use in Unix workstations and real time embedded computing environments. Previously, Mr. Browning held financial and operational management positions with Advanced Digital Systems and Tetra Tech, a subsidiary of Honeywell. Mr. Browning holds a Bachelor of Science degree in accounting from San Diego State University.

Chris J. DeMarche has been Chief Technical Officer of the Company since joining the Company in May 1996. From 1995 to 1996, Mr. DeMarche was CTO and Senior Vice President of Nextel, where he was credited with addressing many critical technology issues. From 1993 to 1995, he was Senior Vice President of Engineering and Technology at OneComm, where he was responsible for building a national engineering team and designing and implementing wireless communication networks. Mr. DeMarche also worked in advanced technology areas at PacTel Corporation and Hughes Aircraft Corporation and served in the U.S. Naval Submarine Force. Mr. DeMarche received his Master of Business Administration from UCLA in 1990 and his Bachelor of Science from the United States Naval Academy in 1978.

Carla Hamre Donelson has served as Vice President, General Counsel and Secretary of the Company since joining Verio in October 1996 from the law firm of Morrison & Foerster LLP, where she practiced law since March 1987. She served as a partner in that firm's business department from 1990 and as head of the Denver business practice from 1993. While in private practice, Ms. Donelson was engaged in a general corporate and transactional practice, focused primarily on the communications and related technology industries, representing domestic and foreign entities in numerous financing, merger, acquisition, investment, and licensing transactions. She served as regular outside corporate counsel to OneComm and represented OneComm in connection with a variety of its SMR acquisitions as well as its merger with Nextel. Ms. Donelson received her Bachelor of Arts degree in molecular biology from the University of Colorado, her Juris Doctor degree from the University of Denver College of Law, and is a member of the Colorado Bar Association.

Peter B. Fritzinger has served as Chief Financial Officer of the Company since June 1997. From September 1993 until June 1997, Mr. Fritzinger served as Chief Financial Officer of Louis Dreyfus Natural Gas Corp., an independent, publicly held oil and gas company headquartered in Oklahoma City. From 1991 to 1993, he was Vice President-Finance and Treasurer of Louis Dreyfus Energy Corp., a diversified, global enterprise with investments in oil and gas reserves and other petroleum-related industries. Mr. Fritzinger joined Louis Dreyfus Energy Corp. from J.P. Morgan, where he was a Vice President in its corporate finance group, having held various positions with Morgan Guaranty Trust Company of New York since 1980. Mr. Fritzinger received his Bachelor of Arts degree in math and psychology from Amherst College.

Deb Mayfield Gahan has served as Vice President of Finance and Administration for the Company since joining the Company in May 1996. She brings with her ten years of extensive start-up and telecommunications experience. From 1994 to 1996, Ms. Gahan served as Vice President of Business Services and Controller for OneComm and then for Nextel following its acquisition of OneComm. From 1987 to 1994, she was Director of Business Operations and Controller for American Cellular Communications and then BellSouth Cellular Corp., a leading provider of cellular service in 15 states. In these positions, she was responsible for implementing cost-effective financial control systems, asset protection, revenue assurance, financial reporting, treasury and business process development. Ms. Gahan is a Certified Public Accountant and holds a Master of Business Administration from Mississippi College, as well as a Bachelor of Science in accounting from Mississippi State University.

James M. Kieffer has served as Vice President of Customer Operations for the Company since joining the Company in July 1996. Previously, Mr. Kieffer served as Nextel Communication's Vice President of Customer Operations responsible for customer care, billing, accounts receivable, and inventory management. Prior to OneComm's merger with Nextel, Mr. Kieffer led the development of OneComm's customer care as Director of Customer Operations from 1994 to 1995. Prior to that, Mr. Kieffer served as National Customer Service Manager for Motorola's Land Mobile Products Sector. During his six years with Motorola, he held several key roles while developing a consolidated national customer care organization. Prior to joining Motorola, Mr. Kieffer managed customer relations and accounts receivable for IBM. He received his Master of Business Administration from DePaul University in 1988 and holds a Bachelor of Science in management from Illinois State University.

John R. Viviani joined the Company in December 1997 and serves as its Vice President of Sales and Marketing. Prior to that time, Mr. Viviani was most recently Sales Director of Worldwide Channels for IBM Networking Hardware Division. In that capacity, he was responsible for developing worldwide indirect channels. Prior thereto from 1992 to 1996, Mr. Viviani implemented and directed national sales and marketing teams responsible for launching IBM U.S. into the internetworking solution market place and establishing the IBM Networking division in the indirect channels. Mr. Viviani was employed by IBM since 1978, serving as a business unit executive, account executive and marketing manager. Mr. Viviani received his Master of Business Administration from St. Thomas Aquinas College and his Bachelor of Science degree in management and finance from Marymount College.

Committees of the Board of Directors

The Company's Board has established an Executive Committee, a Finance Committee, a Compensation Committee and an Audit Committee. The Executive Committee is responsible for reviewing and, where appropriate, authorizing corporate action with respect to the conduct of the business of the Company between Board meetings. The Executive Committee is composed of Messrs. Halstedt, Jaschke and Johnson. The Finance Committee is responsible for reviewing and, where appropriate, authorizing certain corporate actions with respect to the finances of the Company. Actions taken by the Finance Committee are regularly submitted to the Board for review and ratification at the next meeting, except in those cases when the Board has specifically delegated final decision-making authority to the Finance Committee. The Finance Committee is composed of Messrs. Halstedt, Jaschke, Still and Myhren. The Compensation Committee is responsible for reviewing and establishing the compensation structure for the Company's officers and directors, including salary rates, participation in incentive compensation and benefit plans, 401(k) plans, stock option and purchase plans and other forms of compensation, and, after the effective date of the initial registration of the Company's Common Stock under Section 12(g) of the Securities Exchange Act of 1934 (the "Securities Exchange Act"), administering the Company's 1998 Stock Incentive Plan and 1998 Employee Purchase Plan. See "-- Stock Option and Incentive Plans." The Compensation Committee is composed of Messrs. Allen, Myhren and Schovee.

The Board has also established an Audit Committee consisting of Messrs. Myhren and Schovee. The Audit Committee will be comprised solely of independent directors and will be responsible for recommending the firm to be appointed as independent accountants to audit the Company's financial statements, discussing the scope and results of the audit with the independent accountants, reviewing the functions of the Company's management and independent accountants with respect to the Company's financial statements and performing such other related duties and functions as are deemed appropriate by the Audit Committee and the Board.

Directors Compensation

From and after the consummation of the Offering, each non-employee director of the Company will receive an annual retainer fee of $5,000 and a fee of $1,000 for each meeting of the Board attended in person or $500 for each meeting attended by telephone. The fee for Board committee meetings is $500 per meeting. A director may elect to receive these payments in the form of Common Stock. In addition, upon consummation of the Offering, each non-employee director automatically will be granted an option to acquire 30,000 shares of Common Stock at an exercise price per share equal to the fair market value of the Common Stock at the date of grant. Such options will vest and become exercisable in three equal installments on each yearly anniversary of the grant date. Non-employee directors elected or appointed to the Board following the Offering also will be granted automatically at the time of election or appointment an option to acquire 30,000 shares of Common Stock with the same terms and conditions at an exercise price equal to the then fair market value of the Common Stock. After the initial three year vesting period for such options, non-employee directors will receive automatic annual grants of vested options to acquire an additional 3,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock at the date of grant.

Executive Compensation

The following table sets forth certain summary information for the years ended December 31, 1997 and 1996, respectively, concerning the compensation paid and awarded to: (a) the Company's Chief Executive Officer and (b) the Company's four most highly compensated executive officers whose salaries and bonuses exceeded $100,000 who were serving as executive officers as of December 31, 1997 (collectively, with the Chief Executive Officer, the "Named Executive Officers").

Summary Compensation Table

				LONG-TERM COMPENSATION AWARDS		
	ANNUAL COMPENSATION					
NAME AND PRINCIPAL POSITION	FISCAL YEAR(1)	SALARY($)	BONUS($)	RESTRICTED STOCK AWARDS($)	SECURITIES UNDERLYING OPTIONS(#)	ALL OTHER COMPENSATIONS($)
Justin L. Jaschke.....	1997	175,003	66,500	85,000	--	--
Chief Executive Officer	1996	124,631(2)	44,867	--	240,000	--
Mark D. Johnson.....	1997	113,337(3)	50,603	--	200,000	--
President and Chief Operating Officer	1996	--	--	--	--	--
Chris J. DeMarche.....	1997	160,004	60,800	25,000	20,000	--
Chief Technical Officer	1996	106,666(4)	38,215	--	70,000	--
Carla Hamre Donelson.....	1997	160,004	57,760	--	20,000	--
Vice President, General Counsel and Secretary	1996	26,320(5)	13,680	50,000	60,000	42,678(7)
Peter B. Fritzinger.....	1997	89,443(6)	31,287	--	75,000	70,267(8)
Chief Financial Officer	1996	--	--	--	--	--

(1) Fiscal year 1996 covers the period from inception (March 1, 1996) to December 31, 1996.

(2) Reflects compensation paid to Mr. Jaschke commencing with his appointment as Chief Executive Officer in April 1996.

(3) Reflects compensation paid to Mr. Johnson commencing with his appointment as President and Chief Operating Officer in March 1997.

(4) Reflects compensation paid to Mr. DeMarche commencing with his appointment as Chief Technical Officer in May 1996.

(5) Reflects compensation paid to Ms. Donelson commencing with her appointment as Vice President, General Counsel and Secretary in October 1996.

(6) Reflects compensation paid to Mr. Fritzinger commencing with his appointment as Chief Financial Officer in June 1997.

(7) Represents the cost to the Company of tax reimbursements.

(8) Represents the cost to the Company of providing relocation benefits.

Stock Options Granted in Last Fiscal Year

The following table contains information concerning the grant of stock options by Verio under the Company's stock option plans to the Named Executive Officers during the year ended December 31, 1997.

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE ($/SHARE)(1)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM ($) (2)	
					5%	10%
Justin L. Jaschke.....	--	--	--	--	--	--
Mark D. Johnson.....	200,000	13.28%	6.00	May 11, 2007	754,674	1,912,491
Chris J. DeMarche.....	20,000	1.38%	6.75	Nov. 24, 2007	84,901	215,155
Carla Hamre Donelson....	20,000	1.38%	6.75	Nov. 24, 2007	84,901	215,155
Peter B. Fritzinger.....	75,000	5.18%	6.00	May 21, 2007	283,003	717,184

(1) All options were granted at an exercise price per share equal to at least the fair market value of the Common Stock on the date of grant, as determined by the Board of Directors.

(2) The potential realizable value is calculated based on the fair market value on the date of grant, which is equal to the exercise price of the options, assuming that the stock appreciates in value from the date of grant compounded annually until the end of the option term at the rate specified (5% or 10%) and that the option is exercised and sold on the last day of the option term for the appreciated stock price. Potential realizable value is net of the option exercise price. The assumed rates of appreciation are specified in the rules and regulations of the Commission and do not represent the Company's estimate or projection of future stock price. Actual gains, if any, resulting from stock option exercises and Common Stock holdings are dependent on the future performance of the Common Stock and overall stock market conditions. There can be no assurance that the amounts reflected in this table will be achieved.

Option Exercises in Last Fiscal Year and Fiscal Year-end Values

The following table sets forth certain information with respect to the Named Executive Officers regarding the stock options exercised during the last fiscal year, the aggregate number of unexercised options to purchase Common Stock granted in all years and held by them as of December 31, 1997, and the value of unexercised in-the-money options (i.e., options that had a positive spread between the exercise price and the fair market value of the Common Stock) as of December 31, 1997:

			NUMBER OF SECURITIES UNDERLYING OPTIONS AT FISCAL YEAR-END (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END ($)(1)	
NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Justin L. Jaschke.....	60,000	--	20,000	160,000	--	--
Mark D. Johnson.....	--	--	--	200,000	--	--
Chris J. DeMarche.....	--	--	14,000	76,000	--	--
Carla Hamre Donelson.....	--	--	12,000	68,000	--	--
Peter B. Fritzinger.....	--	--	--	75,000	--	--

(1) The value of options at year-end is based on an assumed fair market value of $ per share of Common Stock (the mid-point of the price range per Share in the Offering).

Employment Agreements

As a general matter, the Company does not enter into employment agreements, and has not entered into employment agreements with any of its executive officers. Rather, the employment relationships with each executive officer are "at will." However, in connection with the initial employment of each executive officer, the Company and the executive executed an offer letter, in which the general compensation and benefits provided to the executive are outlined, including base salary, targeted annual bonus, option grants and employee benefits. The base salary and targeted bonus levels for each of the executive officers remains the same in 1998 as in 1997. However, upon consummation of the Offering, the base salary for Mr. Jaschke will be increased to $260,000, which will result in an increase in his annual targeted bonus level of 30% to 40% of his base salary. In addition, Mr. Johnson's base salary will be increased to $220,000, with a targeted annual bonus of up to $150,000.

Executive Protection Agreements

The Company intends in the near future to enter into executive protection agreements (the "Executive Protection Agreements") with all of the Named Executive Officers (the "Executives") of the Company. Except as provided herein, each of the Executive Protection Agreements will contain substantially the same terms. The term of each Executive Protection Agreement will be three years from the date the agreement is concluded by the Company and the Executive (the "Effective Date"). The term will thereafter be automatically extended for one year periods unless either party provides the other with 90 days written notice in advance of an anniversary of the Effective Date, and in no event will the Executive Protection Agreements terminate within twelve months of a Change of Control (as will be defined in the Executive Protection Agreements) of the Company. The Executive Protection Agreements will set forth severance benefits which are payable if an Executive is terminated for various reasons, including termination by the Executive following a Change in Control ("Severance Payment"), as follows:

(i) If an Executive is terminated within 12 months of a Change of Control for: (A) Cause (as will be defined in the Executive Protection Agreements), (B) Disability (as will be defined in the Executive Protection Agreements), (C) death, (D) retirement pursuant to the Company's policies applying to executive officers generally; or (E) by the Executive other than by Good Reason (as will be defined in the Executive Protection Agreements), then the Company shall pay to the Executive the accrued compensation (as defined below) due the employee through the date of termination that will be specified in the Executive Protection Agreement (the "Termination Date"). Accrued compensation will include (A) base salary, (B) reimbursement for reasonable and necessary expenses incurred by the Executive on behalf of the Company during the period ending on the Termination Date, and (C) vacation pay (collectively "Accrued Compensation").

(ii) If an Executive's employment is terminated within 12 months of a Change of Control for any other reason than specified in (i) above, the Company will pay or provide the Executive with the following:

(A) Accrued Compensation;

(B) an amount which shall equal a fraction (the numerator of which is the number of days in the Company's fiscal year through the Termination Date and the denominator of which is 365) multiplied by the bonus amount, which will be the greater of (y) 100% of the last annual incentive payment paid or payable to the Executive prior to the Termination Date under the Company's cash bonus incentive plan or (z) the Executive's incentive target for the fiscal year in which the Change of Control occurs (the "Bonus Amount");

(C) as severance pay and in lieu of any further compensation for periods subsequent to the Termination Date, an amount in cash equal to two (2) times the sum of (y) the Executive's annual base salary at the rate in effect immediately prior to the Change in Control, including all amounts of Executive's base salary that are deferred under the qualified and non-qualified employee benefit plans of the Company or any other agreement or arrangement (the "Base Amount"), plus (z) the Bonus Amount. However, the amount paid to Mr. Jaschke and Mr. Johnson will be three (3) times the sum of (y) and (z).

(D) until the third anniversary of the Termination Date, the same rights with respect to benefits provided by the Company, including without limitation life insurance, disability, medical, dental and hospitalization benefits and pension and retirement benefits as were provided to the Executive as of the Effective Date, or, if greater, at any time within ninety (90) days preceding the date of the Change of Control; and (E) the removal of all restrictions on any outstanding incentive awards (including restricted stock and granted performance shares or units) granted to the Executive under the Company's stock option and other stock incentive plans or under any other incentive plan or arrangement. Such restrictions will lapse and such incentive awards will become 100% vested so that all stock options and stock appreciation rights granted to the Executive shall become immediately exercisable and shall become 100% vested and all performance units granted to Executive shall become 100% vested.

The Executive Protection Agreements will further provide that the Executives will not be required to mitigate the amount of any payment by seeking employment or otherwise. Executives may be entitled to additional compensation or benefits in accordance with the Company's employee benefit plans and other applicable programs, policies and practices then in effect. The Executive Protection Agreements will contain a "gross-up" provision pursuant to which any Severance Payment, which would be subject to certain excise taxes occurring as a result of Change of Control, would include an additional gross-up payment resulting in the Executive retaining an additional amount equal to excise tax.

Stock Option and Incentive Plans

1996 Stock Option Plan The 1996 Stock Option Plan was adopted and approved by the Board of Directors in May 1996 and by the stockholders of the Company in June 1996. In February 1998, the 1996 Stock Option Plan was amended, with the approval of the Board, to reserve a total of 2,205,300 shares of Common Stock for issuance under this plan. This amendment has been submitted to the Company's stockholders for approval. As of February 26, 1998, options to purchase 79,600 shares of Common Stock granted under the 1996 Stock Option Plan had been exercised, options to purchase 2,125,700 shares of Common Stock were outstanding and no options to purchase additional shares of

Common Stock remained available for grant. The outstanding options were held by 495 individuals and were exercisable at a weighted average exercise price of $6.62 per share. Outstanding options to purchase an aggregate of 1,480,700 shares were held by employees who are not officers or directors of the Company. Of the 79,600 shares issued upon exercise of options, a total of 47,500 were issued upon exercise prior to their respective exercise vesting dates, as permitted by the terms of the 1996 Stock Option Plan. As a result, these shares are subject to repurchase by the Company at their respective exercise prices, until the date on which they would have become exercisable. The 1996 Stock Option Plan will terminate in 2006, unless sooner terminated by the Board of Directors.

The Board of Directors has delegated administration of the 1996 Stock Option Plan to its Compensation Committee (the "Committee"). The Committee is constituted to comply with the rules under Rule 16b-3 of the Securities Exchange Act of 1934 (the "Exchange Act"). Awards under the 1996 Stock Option Plan may consist of (i) options to purchase Common Stock that are designed to qualify, under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as "incentive stock options" ("Incentive Stock Options") or (ii) options to purchase Common Stock that are not described in Sections 422 or 423 of the Code ("Non-Qualified Stock Options" and, collectively with Incentive Stock Options, "Options").

The Committee has discretion to grant Incentive Stock Options to employees and officers (including directors who are employees) of the Company or any Affiliate (as defined in the Plan) of the Company and Non-Qualified Stock Options to employees, officers, directors or consultants of the Company and its Affiliates. The Committee may set the terms of such grants, subject to applicable restrictions in the 1996 Stock Option Plan. Incentive Stock Option grants are subject to the following limitations: (i) the term of any Incentive Stock Option may not be longer than ten years, provided that the term of any Incentive Stock Option granted to an individual possessing more than 10% of the combined voting power of the Company or an Affiliate (a "10% Holder") may not be longer than five years; (ii) the aggregate fair market value of all shares underlying Incentive Stock Options granted to an individual that first become exercisable in any calendar year may not exceed $100,000; and (iii) the exercise price of Incentive Stock Options may not be less than the fair market value of the underlying shares on the grant date, provided that the exercise price of any Incentive Stock Option granted to a 10% Holder may not be less than 110% of the fair market value of the underlying shares on the grant date. With respect to Non-Qualified Stock Options, the exercise price may not be less than 85% of the fair market value of the underlying shares on the grant date. As of February 27, 1998, no such below-market grants has been made.

During an optionee's lifetime, an Incentive Stock Option is exercisable only by the optionee and no Incentive Stock Option may be transferred by the optionee other than by will or the laws of descent and distribution. During an optionee's lifetime (or a transferee pursuant to a qualified domestic relation order), a Non-Qualified Stock Option is exercisable only by the optionee and no Non-Qualified Stock Option may be transferred by the optionee other than by will or the laws of descent and distribution or pursuant to a qualified domestic relation order satisfying the requirements of the prior version of Rule 16b-3 under the Exchange Act. An optionee whose continuous status as an employee, director or consultant of the Company terminates for any reason (other than termination because of death or

disability) may exercise, in the three-month period following such cessation (unless such Options terminate or expire sooner by their terms), or such longer or shorter period as specified in the Option, that portion of the optionee's Options that is exercisable at the time of such cessation. In the event the optionee becomes disabled, the Options vested as of the date of disability may be exercised prior to the earlier of such Option's specified expiration date or 12 months from the date of the optionee's disability, or such longer or shorter period as specified in the Option. In the event the optionee dies, the Options vested as of the date of disability may be exercised prior to the earlier of such Option's specified expiration date or 18 months from the date of the optionee's disability, or such longer or shorter period as specified in the Option.

In the event of (i) a dissolution or liquidation of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation, (iii) a reverse merger in which the Company is the surviving corporation but the shares of the Company's outstanding common stock immediately prior to such merger are converted into other property, whether in the form of securities, cash or otherwise, or (iv) any other capital reorganization in which the Company's shareholders receive less than 50% of the outstanding voting shares of the surviving corporation: (a) any surviving corporation shall assume any Options outstanding under the 1996 Stock Option Plan, (b) such Options shall continue in full force and effect, or (c) the Options shall terminate if not exercised prior to such event.

1997 California Stock Option Plan The Company's 1997 California Stock Option Plan (the "1997 California Plan") was adopted by the Board of Directors in February 1997, and approved by the Company's stockholders in April 1997. In February 1998, the 1997 California Plan was amended, with the approval of the Board, to reserve a total of 725,000 shares of Common Stock for issuance under this plan. This amendment has been submitted to the Company's stockholders for approval. As of January 26, 1998, no options to purchase shares of Common Stock had been exercised under the 1997 California Plan, options to purchase 541,140 shares of Common Stock were outstanding and options to purchase an additional 208,900 shares of Common Stock remained available for grant. The outstanding options were held by 137 individuals and were exercisable at a weighted average exercise price of $7.56 per share. Outstanding options to purchase an aggregate of 341,140 shares were held by employees who are not officers or directors of the Company.

The 1997 California Plan may be administered by the Board of Directors or the Committee (either, the "Plan Administrator"). The 1997 California Plan provides for the granting to employees of the Company and of its subsidiaries or parent corporations of Incentive Stock Options, and for the granting to employees and independent contractors or Non-Qualified Stock Options. The Plan Administrator has the power to determine the terms of the Options granted, including the exercise price, number of shares subject to the Option and the exercisability thereof, and the form of consideration payable upon exercise. Options granted under the 1997 California Plan are not transferable by the optionee other than by will or by the laws of descent or distribution, and each Option is exercisable during the lifetime of the optionee only by such optionee. The exercise price of all Incentive Stock Options granted under the 1997 California Plan must be at least equal to the fair market value, as determined by the Board of Directors, of the Common Stock on the grant date. The exercise price of 52 all Non-Qualified Stock Options granted under the 1997 California Plan must be at

least 85% of the fair market value, as determined by the Plan Administrator, of the Common Stock on the grant date. With respect to any participant who owns stock possessing more than 10% of the voting power or value of all classes of the Company's outstanding capital stock, the exercise price of any Incentive Stock Option or Non-Qualified Stock Option granted must equal at least 110% of the fair market value of the Common Stock on the grant date and the term of the Option must not exceed five years. The term of all other Options granted under the 1997 California Plan may not exceed ten years. The consideration for exercising any Option may consist of cash, check, shares of Common Stock, a promissory note, the assignment of part of the proceeds from the sale of shares acquired upon exercise of the Options or any combination thereof as specified in the agreement evidencing the Option.

The 1997 California Plan provides that in the event of a merger of the Company with or into another corporation or a consolidation, sale of substantially all of the Company's assets or like transaction involving the Company in which the Company's stockholders before the transaction do not retain a majority interest in the Company, each Option may be assumed or an equivalent Option may be substituted by a successor corporation. If the successor corporation chooses not to assume the Options under the 1997 California Plan, the Options not otherwise exercisable will terminate immediately prior to the consummation of the transaction.

Unless terminated sooner, the 1997 California Plan will terminate automatically in 2007. The Board has the authority to amend, suspend or terminate the 1997 California Plan, subject to stockholder approval of certain amendments and provided no such action may affect any share of Common Stock previously issued and sold or any Option previously granted under the 1997 California Plan without the optionees consent.

1998 Stock Incentive Plan The Company's 1998 Stock Incentive Plan (the "1998 Stock Incentive Plan") was adopted by the Board of Directors in February, 1998 and is anticipated to be approved by the Company's stockholders prior to consummation of the Offering. From and after the Offering, all further option grants will be made solely under the 1998 Stock Incentive Plan. The purpose of the 1998 Stock Incentive Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants of the Company and its related entities and to promote the success of the Company's business. The 1998 Stock Incentive Plan provides for the granting to employees of Incentive Stock Options and the granting of nonstatutory stock options, stock appreciation rights, dividend equivalent rights, restricted stock, performance units, performance shares, and other equity-based rights ("Awards") to employees, directors and consultants of the Company and its related entities. Initially, 165,000 shares of Series D-1 Preferred Stock and 749,300 shares of Common Stock, together with any shares of Common Stock represented by Awards under the 1996 Stock Option Plan which are forfeited, expire or are cancelled following the adoption of the 1998 Stock Incentive Plan, are reserved for issuance under the 1998 Stock Incentive Plan. Upon and after the Offering, 6,364,300 shares of Common Stock, reduced by the number of shares of Common Stock subject to Awards under the 1998 Stock Incentive Plan granted prior to the Offering, will be reserved for issuance under the 1998 Stock Incentive Plan, together with any shares of Common Stock represented by Awards under the 1996 Stock Option Plan and the 1997 California Stock Option Plan (the "Prior Plans"), which are forfeited, expire or are cancelled following

the Offering. However, the number of shares of Common Stock available for issuance as Incentive Stock Options will not include at any time the shares from the Prior Plans which are forfeited, expire or cancelled. Furthermore, in connection with the adoption of the 1998 Stock Incentive Plan, the Board determined that the Company will limit the issuance of Awards under the 1998 Stock Incentive Plan such that the aggregate number of shares subject to Awards granted under the 1998 Stock Incentive Plan and the Prior Plans will not at any time exceed 15% of the Company's outstanding fully-diluted equity. To date, no Awards have been granted under the 1998 Stock Incentive Plan.

With respect to Awards granted to directors or officers, the 1998 Stock Incentive Plan is administered by the Board of Directors or a committee designated by the Board of Directors constituted to permit such Awards to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3 thereunder. With respect to Awards granted to other participants, the 1998 Stock Incentive Plan is administered by the Board of Directors or a committee designated by the Board of Directors. In each case, the Plan Administrator shall determine the provisions, terms and conditions of each Award, including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, shares of Common Stock, or other consideration) upon settlement of the Award, payment contingencies and satisfaction of any performance criteria.

Incentive Stock Options are not transferable by the optionee other than by will or the laws of descent or distribution, and each Incentive Stock Option is exercisable during the lifetime of the optionee only by such optionee. Other Awards shall be transferable to the extent provided in the agreement evidencing the Award.

The exercise price of Incentive Stock Options must be at least equal to the fair market value of the Common Stock on the date of grant, and the term of the option must not exceed ten years. The term of other Awards will be determined by the Plan Administrator. With respect to an employee who owns stock possessing more than 10% of the voting power of all classes of the Company's outstanding capital stock, the exercise price of any Incentive Stock Option must equal at least 110% of the fair market value of the Common Stock on the grant date and the term of the option must not exceed five years. The exercise price or purchase price, if any, of other Awards will be such price as determined by the Plan Administrator, but not less than 85% of the fair market value of the stock. The consideration to be paid for the shares of Common Stock upon exercise or purchase of an Award will be determined by the Plan Administrator and may include cash, check, shares of Common Stock, or the assignment of part of the proceeds from the sale of shares acquired upon exercise or purchase of the Award.

Where the Award agreement permits the exercise or purchase of the Award for a certain period of time following the recipient's termination of service with the Company, disability, or death, the Award will terminate to the extent not exercised or purchased on the last day of the specified period or the last day of the original term of the Award, whichever occurs first.

Unless terminated sooner, the 1998 Stock Incentive Plan will terminate automatically in 2008. The Board has the authority to amend, suspend or terminate the 1998 Stock Incentive Plan subject to stockholder approval of certain amendments and provided no such action may affect Awards previously granted under the 1998 Stock Incentive Plan.

1998 Employee Stock Purchase Plan The Company's 1998 Employee Stock Purchase Plan (the "Stock Purchase Plan"), was approved by the Board of Directors in February 1998 and is anticipated to be approved by the Company's stockholders prior to consummation of the Offering. The Stock Purchase Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code in order to provide employees of the Company with an opportunity to purchase Common Stock through payroll deductions. An aggregate of 3,000,000 shares of the Company's Common Stock has been reserved for issuance under the Stock Purchase Plan and available for purchase thereunder, subject to adjustment in the event of a stock split, stock dividend or other similar change in the Common Stock or the capital structure of the Company. All employees of the Company (and employees of "subsidiary corporations" and "parent corporations" of the Company (as defined by the Code) designated by the administrator of the Stock Purchase Plan) whose customary employment is for more than five months in any calendar year and more than 20 hours per week are eligible to participate in the Stock Purchase Plan, subject to a six-month waiting period after hiring. Non-employee directors, consultants, and employees subject to the rules or laws of a foreign jurisdiction that prohibit or make impractical the participation of such employees in the Stock Purchase Plan are not eligible to participate in the Stock Purchase Plan.

The Stock Purchase Plan designates Purchase Periods, Accrual Periods and Exercise Dates. Purchase Periods are generally overlapping periods of 12 months. The initial Purchase Period will begin on the effective date of the Stock Purchase Plan, which is the effective date of the Company's Registration Statement relating to the Company's initial public offering of its Common Stock, and end on May 14, 1999. Additional Purchase 54 Periods will commence each May 15 and November 15. Accrual Periods are generally six month periods, with the initial Accrual Period commencing on the effective date of the Stock Purchase Plan and ending on November 14, 1998. Thereafter, Accrual Periods will commence each May 15 and November 15. Exercise Dates are the last day of each Accrual Period. In the event of a merger of the Company with or into another corporation, the sale of all or substantially all of the assets of the Company, or certain other transactions in which the stockholders of the Company before the transaction own less than 50% of the total combined voting power of the Company's outstanding securities following the transaction, the administrator of the Stock Purchase Plan may elect to shorten the Purchase Period then in progress.

On the first day of each Purchase Period, a participating employee is granted a purchase right which is a form of option to be automatically exercised on the forthcoming Exercise Dates within the Purchase Period during which deductions are to be made from the pay of participants (in accordance with their authorizations) and credited to their accounts under the Stock Purchase Plan. When the purchase right is exercised, the participant's withheld salary is used to purchase shares of Common Stock of the Company. The price per share at which shares of Common Stock are to be purchased under the Stock Purchase Plan during any Accrual Period is the lesser of (a) 85% of the fair market value of the Common Stock on the date of the grant of the option (the commencement of the Purchase Period) or (b) 85% of the fair market value of the Common Stock on the Exercise Date (the last day of an Accrual Period). The participant's purchase right is exercised in this manner on both Exercise Dates arising in the Purchase Period unless, on the first day of any Accrual Period, the fair market value of the Common

Stock is lower than the fair market value of the Common Stock on the first day of the Purchase Period. If so, the participant's participation in the original Purchase Period is terminated, and the participant is automatically enrolled in the new Purchase Period effective the same date.

Payroll deductions may range from 1% to 10% (in whole percentage increments) of a participant's regular base pay and bonuses, exclusive of overtime, shift-premiums or commissions. Participants may not make direct cash payments to their accounts. The maximum number of shares of Common Stock which any employee may purchase under the Stock Purchase Plan during an Accrual Period is 1,250 shares. Certain additional limitations on the amount of Common Stock which may be purchased during any calendar year are imposed by the Code.

The Stock Purchase Plan will be administered by the Board of Directors or a committee designated by the Board, which will have the authority to terminate or amend the Stock Purchase Plan (subject to specified restrictions) and otherwise to administer the Stock Purchase Plan and to resolve all questions relating to the administration of the Stock Purchase Plan.

401(k) PLAN

In January 1997, the Company implemented an employee savings and retirement plan (the "401(k) Plan") covering certain of the Company's employees who have at least one month of service with the Company and have attained the age of 21. Pursuant to the 401(k) Plan, eligible employees may elect to reduce their current compensation by up to the lesser of 20% of such compensation or the statutorily prescribed annual limit ($10,000 in 1998) and have the amount of such reduction contributed to the 401(k) Plan. The Company may make contributions to the 401(k) Plan on behalf of eligible employees. Employees become 20% vested in these Company contributions after one year of service, and increase their vested percentages by an additional 20% for each year of service thereafter. The 401(k) Plan is intended to qualify under Section 401 of the Internal Revenue Code of 1986, as amended, so that contributions by employees or by the Company to the 401(k) Plan, and income earned on the 401(k) Plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan, and so that contributions by the Company, if any, will be deductible by the Company when made. The trustee under the 401(k) Plan, at the direction of each participant, invests the 401(k) Plan employee salary deferrals in selected investment options. The Company made no contributions to the 401(k) Plan in 1996 or in 1997. The Company does not presently expect to make any contributions to the 401(k) Plan during the fiscal 1998.

Compensation Committee Interlocks and Insider Participation

The Chairman of the Compensation Committee is Mr. Schovee. No member of the Compensation Committee was at any time during the fiscal year ended December 31, 1997, or at any other time, an officer or employee of the Company. No member of the Compensation Committee of the Company serves as a member of the board of directors or compensation committee of any entity that has one or

more executive officers serving as a member of the Company's Board of Directors or Compensation Committee. See "Certain Transactions" for a description of transactions between the Company and entities affiliated with members of the Compensation Committee.

Limitation on Liability and Indemnification Matters

The Company's Restated Certificate of Incorporation and bylaws provide that the Company shall indemnify to the fullest extent permitted by Section 145 of the DGCL, as it now exists or as amended, all directors and officers pursuant thereto. The Company's Restated Certificate of Incorporation and bylaws also authorize the Company to indemnify its employees and other agents, at its option, to the fullest extent permitted by Section 145, as it now exists or as amended. The Company intends to enter into agreements to indemnify its directors and officers, in addition to indemnification provided for in the Company's charter documents. These agreements, among other things, provide for the indemnification of the Company's directors and officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of the Company, arising out of such person's services as a director or officer of the Company, any subsidiary of the Company or any other company or enterprise to which such person provides services at the request of the Company to the fullest extent permitted by applicable law. The Company believes that these provisions and agreements will assist the Company in attracting and retaining qualified persons to serve as directors and officers.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. The Company's Restated Certificate of Incorporation will provide for the elimination of personal liability of a director for breach of fiduciary duty, as permitted by Section 102(b)(7) of the DGCL.

The Underwriting Agreement provides for indemnification by the Underwriters under certain circumstances of directors, officers and controlling persons of the Company against certain liabilities, including liabilities under the Securities Act.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the provisions contained in the Certificate of Incorporation and Bylaws of the Company, the DGCL, the Underwriting Agreement, or otherwise, the Company has 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 the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the Common Stock being registered hereunder, the

Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Company intends to purchase and maintain insurance on behalf of the officers and directors insuring them against liabilities that they may incur in such capacities or arising out of such status.

Certain Transactions

Series a Purchase Agreement

Pursuant to a Series A Preferred Stock purchase agreement by and among Centennial Fund IV, L.P., Centennial Holdings, Inc., Telecom Partners, L.P., Norwest Equity Partners, V and Brooks Fiber Properties, Inc. (together, the "Series A Purchasers") and the Company, dated as of June 25, 1996 (the "Series A Purchase Agreement"), the Series A Purchasers made their initial investments in the Company. The Series A Purchasers purchased, in the aggregate, 5,250,000 shares of Series A Preferred Stock for an aggregate purchase price of $15,750,000. Pursuant to Amendment No. 1 to the Series A Stock Purchase Agreement, dated as of July 3, 1996, the Company sold an additional 756,666 shares of Series A Preferred Stock to certain of the Series A Purchasers and to certain additional purchasers for the aggregate purchase price of $2,270,000. Subsequently, the Company sold an additional 26,667 shares of Series A Preferred Stock to certain members of the Company's management for an aggregate purchase price of $80,001. In connection with the Series A Purchase Agreement, the Company, the Series A Purchasers and certain members of the Company's management entered into a stockholders agreement, dated as of June 25, 1996 (the "Series A Stockholders Agreement"), which provided the Series A Stockholders with certain demand and piggyback registration rights. The parties to Amendment No. 1 to the Series A Stock Purchase Agreement became parties to the Series A Stockholders Agreement. The Series A Stockholders Agreement was replaced by the Series B Stockholders Agreement which, in turn was replaced by the Stockholders Agreement. See "-- Series B Purchase Agreement" and "-- Series C Purchase Agreement."

Series B Purchase Agreement

The Company, certain of the Series A Purchasers and several additional purchasers (together, the "Series B Purchasers") entered into a Series B Preferred stock purchase agreement, dated as of December 5, 1996 (the "Series B Stock Purchase Agreement"), pursuant to which the Series B Purchasers acquired, in the aggregate, 10,000,000 shares of Series B Preferred Stock for the aggregate purchase price of $60,000,000. In connection with the Series B Stock Purchase Agreement, the Company, the Series A Purchasers, the Series B Purchasers and members of the Company's management entered into a stockholders agreement, dated as of December 5, 1996 (the "Series B

Stockholders Agreement"). The Series B Stockholders Agreement replaced the Series A Stockholders Agreement and was later replaced by the Stockholders Agreement. See "-- Series C Purchase Agreement."

Series C Purchase Agreement

The Company, certain of the Series A Purchasers and certain of the Series B Purchasers (together, the "Series C Purchasers") entered into a Series C Preferred stock purchase agreement, dated as of May 20, 1997 (the "Series C Stock Purchase Agreement"), pursuant to which the Series C Purchasers acquired, in the aggregate, 2,500,000 shares of Series C Preferred Stock for the aggregate purchase price of $20,000,000. In connection with the Series C Stock Purchase Agreement, the Company, the Series A Purchasers, the Series B Purchasers, the Series C Purchasers, and members of the Company's management entered into a Stockholders Agreement (the "Stockholders Agreement"), which replaced the Series B Stockholders Agreement. See "-- Stockholders Agreement."

Series D-1 Agreements

In connection with the acquisition of iServer, the Company entered into an Agreement and Plan of Merger dated as of December 31, 1997 with iServer and Verio WebHosting, Inc. (a wholly owned subsidiary of the Company). Pursuant to such agreement, the Company issued 680,000 shares of Series D-1 Preferred Stock to certain stockholders of iServer. The Company has issued or expects to issue a total of approximately 1,421,358 additional shares of Series D-1 Preferred Stock pursuant to Buyouts completed or probable as of February 27, 1998. In addition, options to acquire a maximum of 165,000 Series D-1 Preferred stock are expected to be issued in connection with the Buyout of NorthWestNet, Inc. The Company has issued an additional 117,642 shares of Series D-1 Preferred Stock in connection with the acquisition of 100% of the stock of NSNet.

The Series D-1 Preferred Stock will be converted into Common Stock upon completion of the Offering. The recipients of the shares of Series D-1 Preferred Stock issued in the Buyouts and the acquisitions of iServer and NSNet have been granted certain registration rights with respect to the shares of Common Stock issuable upon conversion of the Series D-1 Preferred Stock (see "Registration Rights") and have agreed to certain market standoff provisions following the Offering in the agreements pursuant to which the Series D-1 Preferred Stock is issued (the "Series D-1 Agreements"). See "Shares Eligible for Future Sale".

Stockholders Agreement

Pursuant to the terms of the Stockholders Agreement, the holders of the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock (together, the "Investors") acquired certain registration rights with respect to the Company. At any time after the effective date of the first registration statement filed by the Company under the Securities Act of 1933, as amended (the

"Securities Act"), holders of 25% or more of the Registrable Securities (as defined in the Stockholders Agreement) may require the Company to effect registration under the Securities Act of their Registrable Securities, subject to the Board of Directors' right to defer such registration for a period of up to 180 days. In addition, if the Company proposes to register securities under the Securities Act (other than a registration relating either to the sale of securities to employees pursuant to a stock option, stock purchase or similar plan or a transaction under Rule 145 of the Securities Act), then any of the Investors has a right (subject to quantity limitations determined by underwriters if the offering involves an underwriting) to request that the Company register such holder's Registrable Securities. All registration expenses incurred in connection with up to two long-form and all short-form and piggyback registrations will be borne by the Company. Each Investor will pay for selling expenses pro rata on the basis of the number of shares sold by such Investor. The Company has agreed to indemnify the Investors against certain liabilities in connection with any registration effected pursuant to the foregoing registration rights agreement, including Securities Act liabilities.

Subject to certain exceptions, the Company has a right of first refusal to purchase shares of Common Stock held by Management Holders (as defined in the Stockholders Agreement) which, to the extent not purchased by the Company, are subject to an additional right of first refusal by the Investors according to their respective pro rata shares. In addition, transfers of Common Stock held by Investors are subject to a right of first refusal by other Investors who are also holders of Common Stock. Subject to certain exceptions, upon the issuance by the Company of any Common Stock or any other equity securities, each of the Specified Investors (as defined in the Stockholders Agreement) has the preemptive right to purchase its pro rata share of up to 80% of the securities so offered according to their respective pro rata interests. If any Specified Investor declines to exercise such right in full, the remaining electing specified Investors are entitled to purchase such Specified Investor's unpurchased portion of the offered securities on a pro rata basis.

Transactions with Management

On June 16, 1997, the Company made a loan in the amount of $100,000 to Peter Fritzinger, which Mr. Fritzinger repaid on July 21, 1997 with interest at the then current market rate.

Principal Stockholders

The following table sets forth certain information as of February 26, 1998 with respect to the beneficial ownership of the Company's Common Stock by (i) each stockholder known by the Company to own beneficially more than five percent, in the aggregate, of the outstanding shares of the Company's outstanding Common Stock, (ii) each director and Named Executive Officer of the Company and (iii) all executive officers and directors as a group.

		PERCENTAGE BENEFICIALLY OWNED	
HOLDERS	NUMBER OF SHARES BENEFICIALLY OWNED	PRIOR TO OFFERING	AFTER OFFERING

Brooks Fiber Properties 3023 Club Drive Destin, Florida 32541	4,664,971	22.76%
Norwest Equity Partners 245 Lytton Avenue Palo Alto, California 94301	4,301,250	20.98%
Providence Equity Partners 50 Kennedy Plaza Providence, Rhode Island 02903	3,055,693	14.90%
Centennial Fund V, L.P. 1428 Fifteenth Street Denver, Colorado 80202	2,302,303	11.23%
Centennial Fund IV, L.P. 1428 Fifteenth Street Denver, Colorado 80202	2,159,105	10.53%
Steven C. Halstedt(1)	--	--
Justin L. Jaschke(2)	205,834	1.00%
Mark D. Johnson	60,000	*
James C. Allen(3)	25,000	*
Trygve E. Myhren(4)	58,000	*
Paul J. Salem(5)	--	--
Stephen W. Schovee	--	--
George J. Still, Jr.(6)	--	--
Chris J. DeMarche(7)	74,833	*
Carla Hamre Donelson(8)	29,917	*
Peter B. Fritzinger	25,000	*
All executive officers and directors as a group (16 persons)(9)	618,265	3.00%

* Less than 1%

(1) The sole General Partner of Centennial Fund IV, L.P. ("Centennial IV") is Centennial Holdings IV, L.P. ("Holdings IV") and the sole General Partner of Centennial Fund V, L.P. ("Centennial V") is Centennial Holdings V, L.P. ("Holdings V"). Holdings IV and Holdings V may be deemed to indirectly beneficially own the shares owned by Centennial IV and Centennial V, respectively. Mr. Halstedt is a general partner of Holdings IV and Holdings V and may be deemed to be the indirect beneficial owner of the shares owned by Centennial IV and Centennial V. Mr. Halstedt disclaims beneficial ownership of such shares.

(2) Includes options for 40,000 shares of Common Stock exercisable within 60 days.

(3) Mr. Allen is the Chief Executive Officer of Brooks Fiber Properties ("Brooks") and may be deemed to indirectly beneficially own the shares owned by Brooks. Mr. Allen disclaims beneficial ownership of these shares.

(4) Includes options exercisable for 8,000 shares of Common Stock exercisable within 60 days.

(5) The sole general partner of Providence Equity Partners ("Providence") is Providence Equity Partners LLC ("PEPLLC"). Mr. Salem is a member of PEPLLC and may be deemed to indirectly beneficially own the shares owned by Providence. Mr. Salem disclaims beneficial ownership of these shares.

(6) The sole general partner of Norwest Equity Partners ("Norwest") is Itasca Partners V. ("Itasca"). Mr. Still is a general partner of Itasca and may be deemed to indirectly beneficially own the shares owned by Norwest. Mr. Still disclaims beneficial ownership of these shares.

(7) Includes options exercisable for 14,000 shares of Common Stock exercisable within 60 days.

(8) Includes options exercisable for 12,000 shares of Common Stock exercisable within 60 days.

(9) Includes options exercisable for 100,000 shares of Common Stock exercisable within 60 days.

Description of Capital Stock

The following description of the capital stock of the Company and certain provisions of the Company's Certificate of Incorporation and Bylaws is a summary and is qualified in its entirety by the provisions of the Certificate of Incorporation and Bylaws, which have been filed as exhibits to the Company's Registration Statement of which this Prospectus is a part.

Upon the closing of the Offering, the authorized capital stock of the Company, after giving effect to the conversion of all outstanding Preferred Stock into Common Stock will be 137,500,000 shares of capital stock, consisting of 125,000,000 shares of Common Stock, par value $0.001 per share, and 12,500,000 shares of Preferred Stock, par value $0.001 per share (the "Undesignated Preferred Stock").

Common Stock

As of February 27, 1998 there were 1,257,933 shares of Common Stock outstanding held of record by 20 stockholders.

The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Subject to preferences that may be applicable to any then outstanding Preferred Stock, holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of the Company, holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of Preferred Stock, if any. Holders of Common stock have no preemptive rights or rights to convert their Common Stock into any other securities. There are no redemption or sinking fund provisions applicable to the Common Stock. all outstanding shares of Common Stock are, and all shares of Common Stock to be outstanding upon completion of the Offering will be, fully paid and nonassessable. The rights of holders of Common Stock are subject to, and may be adversely affected by, the rights of any series of Preferred Stock which the Company may issue in the future.

Preferred Stock

Following completion of the Offering and the conversion of all outstanding shares of Preferred Stock into Common Stock, the Board of Directors will have the authority to issue from time to time up to 12,500,000 shares of Undesignated Preferred Stock in one or more series and to fix the powers, designations, preferences and relative, participating, optional or other rights thereof, including dividend rights, conversion rights, voting rights, redemption terms, liquidation preferences (any or all

of which may be greater than the rights of the Common Stock) and the number of shares constituting each such series, without any further vote or action by the Company's stockholders. The issuance of such Undesignated Preferred Stock could adversely affect the rights of holders of Common Stock and could have the effect of delaying, deferring or preventing a change in control of the Company. The Company has no present plans to issue any shares of such Undesignated Preferred Stock after the Offering.

Warrants

As of January 31, 1998, the Company had warrants outstanding to purchase an aggregate of 2,112,480 shares of Common Stock at an exercise price per share of $0.01 (the "Warrants"). The Warrants were issued in connection with the issuance of the 1997 Notes and will become exercisable after the Offering. Holders of the Warrants are entitled to certain registration rights. See "-- Registration Rights."

Registration Rights

Pursuant to the Stockholders Agreement between the Company and the Investors, the Investors are entitled to certain demand and piggyback registration rights with respect to the registration of certain Registrable Securities (as defined in the Stockholders Agreement) under the Securities Act. At any time after the effective date of the first registration statement filed by the Company under the Securities Act, Investors owning 25% or more of the Registrable Securities may require the Company to effect registration under the Securities Act of their Registrable Securities, subject to the Board of Directors' right to defer such registration for a period of up to 180 days. In addition, if the Company proposes to register securities under the Securities Act) other than a registration statement on Form S-8 or S-4), whether or not for its own account, then any of the Investors has a right (subject to quantity limitations determined by underwriters if the offering involves an underwriting) to request that the Company register such Investor's Registrable Securities. All registration expenses incurred in connection with up to two long-form and all short-form and piggyback registrations will be borne by the Company. Each Investor will pay for its own Selling Expenses (as defined in the Stockholders Agreement) on a pro rata basis. These registration rights are subject to certain conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in such registration. See "Certain Transactions -- Stockholders Agreement."

In connection with the Series D-1 Agreements the Company entered into certain investment agreements (the "Investment Agreements") with the holders (the "Series D-1 Holders") of shares of Series D-1 Preferred Stock. Pursuant to the Investment Agreements, some of the Series D-1 Holders are entitled to certain piggyback registration rights with respect to the registration of certain Registrable Securities (as defined in the Investment Agreements) under the Securities Act. At any time after a Lock-Up Termination Date (as defined in the Investment Agreements), the Company proposes to register any of its securities under the Securities Act (other than a registration statement on Form S-8 or S-4), whether or not for its own account, such Series D-1 Holders are entitled to notice of such

registration and are entitled to include such Series D-1 Holder's Registrable Securities therein. All such rights granted under the Investment Agreements shall terminate with respect to the Registrable Securities of a Series D-1 Holder upon the earliest to occur of (i) the second anniversary of the initial public offering of the Company, (ii) such time as all such Registrable Securities may be immediately sold pursuant to Rule 144 under the Securities Act within any 90-day period, or (iii) upon any sale of such Registrable Securities pursuant to a registration statement or Rule 144 under the Securities Act. The Company is required to bear all registration expenses (other than underwriting discounts and commissions) incurred in connection with any such registrations. The Company is not responsible for any expenses of any counsel retained to act on behalf by any Series D-1 Holder participating in such registration. All of these registration rights are subject to certain conditions and limitations including, in particular, if the underwriters of an offering seek to limit the number of shares included in such offering, all holders of demand and piggyback registration rights (other than the piggyback registration rights held by the Series D-1 Holders) shall include their shares in such offering in priority to the Series D-1 Holders.

In connection with the issuance of the 1997 Notes, the holders of a number of the Warrants, Warrant Shares and Registrable Securities (as defined in a registration rights agreement entered into in connection with the issuance of the 1997 Notes) (the "Subject Equity") equivalent to a majority of the Warrant Shares subject to the originally issued Warrants, will be entitled to require the Company to effect one registration under the Securities Act of the Subject Equity, subject to certain limitations. Holders of such Registrable Securities will also have the right to include such Registrable Securities in any registration statement under the Securities Act filed by the Company (other than (a) a registration statement on Form S-8 or S-4, (b) a registration statement filed in connection with an offer of securities solely to existing securityholders or (c) a Demand Registration (as defined in the registration rights agreement)), whether or not for its own account. These registration rights are subject to certain conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in such registration.

Anti-takeover Provisions

General

Certain provisions of the DGCL and the Company's Certificate of Incorporation and Bylaws could have the effect of delaying, deterring or preventing a future takeover or change in control of the Company unless such takeover or change in control is approved by the Company's Board of Directors. Such provisions also may render the removal of directors and management more difficult. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of the Company's Common Stock. These provisions of Delaware law and the Company's Certificate of Incorporation and Bylaws may also have the effect of discouraging or preventing certain types of transactions involving an actual or threatened change of control of the Company (including unsolicited

takeover attempts), even though such a transaction may offer the Company's stockholders the opportunity to sell their stock at a price above the prevailing market price. See "Risk Factors -- Anti-Takeover Provisions."

Certificate of Incorporation and Bylaws The Certificate of Incorporation provides that, effective upon consummation of the Offering, all stockholder actions must be effected at a duly called meeting and not by a consent in writing. Further, the Bylaws and the Certificate of Incorporation provide that the stockholders may amend certain provisions of the Bylaws or certain provisions of the Certificate of Incorporation only with the affirmative vote of the holders of 80% of the Company's capital stock. These provisions of the Certificate of Incorporation and Bylaws could discourage potential acquisition proposals and could delay or prevent a change in control of the Company. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the Board of Directors and in the policies formulated by the Board of Directors and to discourage certain types of transactions that may involve an actual or threatened change of control of the Company. These provisions are designed to reduce the vulnerability of the Company to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for the Company's shares and, as a consequence, they also may inhibit fluctuations in the market price of the Company's shares that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in the management of the Company. See "Risk Factors -- Anti-Takeover Provisions."

The Certificate of Incorporation and Bylaws of the Company also provide that, upon consummation of the Offering, the Board of Directors will be divided into three classes of directors, as nearly equal in number as is reasonably possible, serving staggered terms so that directors' initial terms will expire either at the 2000, 2001 or 2002 annual meeting of the stockholders. Starting with the 1999 annual meeting of the stockholders, each class of directors will be elected for a one-year, two-year and three-year term, respectively.

The Company believes that a classified board of directors will help to assure the continuity and stability of the Board of Directors and the Company's business strategies and policies as determined by the Board of Directors, since a majority of the directors at any given time will have had prior experience as directors of the Company. The Company believes that this, in turn, will permit the Board of Directors to more effectively represent the interest of stockholders. With a classified board of directors, at least two annual meetings of stockholders, instead of one, will generally be required to effect a change in the majority of the Board of Directors. As a result, a provision relating to a classified Board of Directors may discourage proxy contests for the election of directors or purchases of a substantial block of the Common Stock because its provisions could operate to prevent obtaining control of the Board of Directors in a relatively short period of time. The classification provision and the prohibition on stockholder action by written consent could also have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of the Company. Under the DGCL, a director on a classified board may be removed by the stockholders of the corporation only for cause.

The Company's Bylaws provide that special meetings of the stockholders of the Company may be called only by the President or, at the direction of the Board of Directors, the Secretary of the Company. The Company's Bylaws require advance written notice, which generally must be received by the Secretary of the Company not less than 30 days prior to the meeting, by a stockholder of a proposal or director nomination which such stockholder desires to present at a meeting of stockholders. The Company's Certificate of Incorporation does not include a provision for cumulative voting in the election of directors. Under cumulative voting, a minority stockholder holding a sufficient number of shares may be able to ensure the election of one or more directors. The absence of cumulative voting may have the effect of limiting the ability of minority stockholders to effect changes in the Board of Directors and, as a result, may have the effect of deterring hostile takeover or delaying or preventing changes in control or management of the Company.

The Company's Bylaws and, effective upon consummation of the Offering, the Company's Certificate of Incorporation provide that vacancies in the Board of Directors may be filled by a majority of directors in office, although less than a quorum, and not by the stockholders.

The Certificate of Incorporation allows the Company to issue up to 12,500,000 shares of Undesignated Preferred Stock with rights senior to those of the Common Stock and that otherwise could adversely affect the interests of holders of Common Stock, which could decrease the amount of earnings or assets available for distribution to the holders of Common Stock or could adversely affect the rights and powers, including voting rights, of the holders of Common Stock. In certain circumstances, such issuance could have the effect of decreasing the market price of the Common Stock, as well as having the anti-takeover effect discussed above.

Delaware Takeover Statute The Company is subject to Section 203 of the DGCL ("Section 203"), which, subject to certain exceptions, prohibits a Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date that such stockholder became an interested stockholder, unless: (i) prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (x) by persons who are directors and also officers and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (iii) on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include: (i) any merger or consolidation involving the corporation and the interested stockholder; (ii) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder; (iii) subject to certain

exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (iv) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (v) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

Transfer Agent and Registrar

has been appointed as the transfer agent and registrar for the Company's Common Stock.

Shares Eligible for Future Sale

The Shares sold in the Offering will be freely tradeable without restriction or further registration under the Securities Act, except for any Shares purchased by an affiliate of the Company, which will be subject to the limitations of Rule 144 under the Securities Act.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned his or her restricted securities (as that term is defined in Rule 144) for at least one year from the date such securities were acquired from the Company or an affiliate of the Company would be entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) one percent of the then outstanding shares of the Common Stock and (ii) the average weekly trading volume of the common stock during the four calendar weeks preceding a sale by such person. Sales under Rule 144 are also subject to certain manner-of-sale provisions, notice requirements and the availability of current public information about the Company. Under Rule 144, however, a person who has held shares for a minimum of two years from the later of the date such securities were acquired from the Company or an affiliate of the Company and who is not, and for the three months prior to the sale of such shares has not been, an affiliate of the Company is free to sell such shares without regard to the volume, manner-of-sale and certain other limitations contained in Rule 144.

In general, under Rule 701 of the Securities Act as currently in effect, any employee, officer, director, consultant or advisor of the Company who purchased shares from the Company in connection with a compensatory stock or option plan or written employment agreement is eligible to resell such shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with certain restrictions, including the holding period, contained in Rule 144.

Within 90 days of the date of this Prospectus, the Company intends to file a registration statement under the Securities Act to register shares of Common Stock reserved for issuance under its equity incentive plans, thus permitting the resale of such shares by non-affiliates in the public market without

restriction under the Securities Act. Such registration statement will become effective immediately upon filing. As of February 27, 1998, options to purchase approximately 2,666,840 shares of Common Stock were outstanding under the Company's stock option plans.

The Company, its directors and its executive officers, and certain stockholders, who hold, as of February 27, 1998 approximately 18,000,000 shares of Common Stock (or currently exercisable options to purchase Common Stock), have agreed not to offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offering of, any shares of Common Stock or any securities convertible into, or exchangeable for shares of Common Stock for a period of six months from the date of this Prospectus, without the prior written consent of Smith Barney Inc., except under limited circumstances. Approximately shares of Common Stock, and an additional shares of Common Stock issuable upon exercise of outstanding options, will become saleable after the six-month lock-up period.

In connection with the Buyouts and acquisitions that involved the issuance of shares of Series D-1 Preferred Stock, the Company has entered into market standoff agreements with the holders of the Series D-1 Preferred Stock so issued, which restrictions expire in one-third increments on the six, twelve and eighteen month anniversaries of the date of this Prospectus. Following the six-month, twelve-month and eighteen-month lock-up periods, approximately , and additional shares of Common Stock, respectively, will become immediately saleable subject to the manner of sale, volume, notice and information requirements of Rule 144 of the Securities Act.

In addition, the Company has granted certain holders of its capital stock rights to require the registration for sale of such capital stock under the Securities Act. See "Certain Transactions -- Stockholders Agreement" and "Description of Capital Stock -- Registration Rights."

Prior to the Offering, there has been no established market for the Common Stock and no predictions can be made about the effect, if any, that market sales of Common Stock or the availability of such shares for sale will have on the market price prevailing from time to time. Nevertheless, the actual sale of, or the perceived potential for the sale of, Common Stock in the public market may have an adverse effect on the market price for the Common Stock.

After the closing of the Offering, the holders of approximately 23,700,000 shares of Common Stock, including approximately 2,112,480 shares of Common Stock issuable upon exercise of outstanding Warrants, will be entitled to certain rights with respect to the registration of such shares under the Securities Act. See "Description of Capital Stock -- Registration Rights."

Underwriting

Subject to the terms and conditions set forth in an underwriting agreement among the Company and the Underwriters (the "Underwriting Agreement"), the Company has agreed to sell to each of the Underwriters named below (the "Underwriters"), and each of the Underwriters, for whom Smith

Barney Inc., Credit Suisse First Boston Corporation and Donaldson, Lufkin & Jenrette Securities Corporation are acting as the representatives (the "Representatives"), has severally agreed to purchase the number of Shares set forth opposite its name below:

Number of Underwriters Shares

Smith Barney Inc..... Credit Suisse First Boston Corporation..... Donaldson, Lufkin & Jenrette Securities Corporation..... Total.....

The Company has been advised by the Representatives that the several Underwriters initially propose to offer such Shares to the public at the Price to Public set forth on the cover page of this Prospectus and part of the Shares to certain dealers at such price less a concession not in excess of $ per Share under the Price to Public. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ per Share to certain other dealers. After the Offering, the Price to Public and such concessions may be changed.

The Company has granted to the Underwriters an option, exercisable during the 30-day period after the date of this Prospectus, to purchase up to additional shares of Common Stock from the Company at the Price to Public less the Underwriting Discount, solely to cover over-allotments. To the extent that the Underwriters exercise such option, each Underwriter will be committed, subject to certain conditions, to purchase a number of option shares proportionate to such Underwriter's initial commitment.

The Underwriting Agreement provides that the Company will indemnify the Underwriters against certain liabilities and expenses, including liabilities under the Securities Act, or contribute to payments the Underwriters may be required to make in respect thereof.

Subject to certain exceptions, the Company, its directors, officers and certain stockholders, have agreed not to offer, sell, contract to sell or otherwise dispose of, directly or indirectly, or announce the offering of any shares of Common Stock, including any such shares beneficially or indirectly owned or controlled by any such person, or any securities convertible into, or exchangeable or exercisable for, shares of Common Stock, for six months from the date of this Prospectus, without the prior written consent of Smith Barney Inc.

At the Company's request, the Underwriters have reserved up to shares of Common Stock (the "Directed Shares") for sale at the Price to Public to persons who are directors, officers or employees of, or otherwise associated with, the Company and its affiliates and who have advised the Company of their desire to purchase such Shares. The number of Shares of Common Stock available for sale to the general public will be reduced to the extent of sales of Directed Shares to any of the persons for whom they have been reserved. Any Shares not so purchased will be offered by the Underwriters on the same basis as all other Shares offered hereby.

The Underwriters will not confirm sales to any discretionary account without the prior specific written approval of the customer.

During and after the Offering, the Underwriters may purchase and sell the Common Stock in the open market. These transactions may include overallotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the Offering. The Underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members of other broker-dealers in respect of the Shares of Common Stock sold in the Offering for their account may be reclaimed by the syndicate if such Shares are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Common Stock which may be higher than the price that might otherwise prevail in the open market. The Underwriters are not required to engage in these activities and may end these activities at any time.

Prior to the Offering, there has been no public market for the Common Stock. The Price to Public was determined by negotiations between the Company and the Representatives. Among the factors considered in determining the Price to Public were prevailing market conditions, the market values of publicly traded companies that the Underwriters believed to be somewhat comparable to the Company, the demand for the Shares and for similar securities of publicly traded companies that the Underwriters believed to be somewhat comparable to the Company, the future prospects of the Company and its industry in general, sales, earnings and certain other financial and operating information of the Company in recent periods, and other factors deemed relevant. There can be no assurance that the prices at which the Shares will sell in the public market after the Offering will not be lower than the Price to Public.

Legal Matters

The validity of the Shares offered hereby and general corporate legal matters will be passed upon for the Company by Morrison & Foerster LLP, San Francisco, California. Certain legal matters relating to the sale of Shares in the Offering will be passed upon by Cahill Gordon & Reindel (a partnership including a professional corporation), New York, New York.

Experts

The consolidated financial statements of Verio Inc. as of December 31, 1996 and 1997 and for the period from inception (March 1, 1996) to December 31, 1996, and the year ended December 31, 1997 and the financial statements of On-Ramp Technologies, Inc. as of and for the nine months ended July 31, 1996; Global Enterprise Services -- Network Division (a Division of Global Enterprise Services, Inc.) as of December 31, 1995, and 1996, and for each of the years in the three-year period ended December 31, 1996 and the period ended January 17, 1997; Compute Intensive Inc. as of December 31, 1995 and 1996, and for each of the years in the two-year period ended December 31, 1996, and the period ended February 18, 1997; NorthWestNet, Inc. as of and for the six months ended June 30, 1996, Northwest Academic Computing Consortium, Inc. as of and for the year ended June 30, 1995, the six months ended December 31, 1995 and the eight months ended February 28, 1997; Aimnet

Corporation as of and for the year ended March 31, 1997 and the period ended May 19, 1997; Clark Internet Services, Inc. as of and for the year ended September 30, 1997 and the period ended October 17, 1997; ATMnet, Inc. as of and for the years ended October 31, 1996 and 1997; and Global Internet Network Services, Inc. as of December 31, 1996 and November 26, 1997 and for the year and period then ended, have been included herein and in the registration statement in reliance upon the reports of KPMG Peat Marwick LLP, independent certified public accountants, to the extent and for the periods set forth in their reports appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

Additional Information

The Company is not currently subject to the information requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). As a result of the Offering, the Company will be required to file reports and other information with the Securities and Exchange Commission (the "Commission") pursuant to the informational requirements of the Exchange Act. The Company intends to furnish its stockholders with Annual Reports containing Consolidated Financial Statements audited by independent certified public accountants and with quarterly reports containing unaudited financial information for each of the first three quarters of each year.

The Company has filed with the Commission a Registration Statement on Form S-1 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities offered hereby. As permitted by the rules and regulations of the Commission, this Prospectus, which is a part of the Registration Statement, omits certain information, exhibits, schedules and undertakings set forth in the Registration Statement. For further information pertaining to the Company and the securities offered hereby, reference is made to such Registration Statement and the exhibits and schedules thereto. Statements contained in this Prospectus as to the contents or provisions of any documents referred to herein are not necessarily complete, and in each instance, reference is made to the copy of the document filed as an exhibit to the Registration Statement. The Company will issue annual and quarterly reports. Annual reports will include audited financial statements prepared in accordance with accounting principles generally accepted in the United States and a report of its independent auditors with respect to the examination of such financial statements. In addition, the Company will issue to its securityholders such other unaudited quarterly or other interim reports as it deems appropriate.

The Registration Statement may be inspected without charge at the office of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the Registration Statement may be obtained from the Commission at prescribed rates from the Public Reference Section of the Commission at such address, and at the Commission's regional offices located at 7 World Trade Center, 13th Floor, New York, New York 10048, and at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. In addition, registration statements and certain other filings made with the Commission through its Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system are publicly available through the Commission's site on the Internet's World Wide Web, located at http://www.sec.gov.

Glossary of Terms

ATM Asynchronous Transfer Mode. An information transfer standard for routing traffic which uses packets (cells) of a fixed length.

Backbone A centralized high-speed network that interconnects smaller, independent networks.

Bandwidth The number of bits of information which can move through a communications medium in a given amount of time; the capacity of a telecommunications circuit/ network to carry voice, data and video information. Typically measured in kbps and Mbps.

Buyouts Verio's acquisition of the remaining interest in ISPs that are not owned 100%.

caching Temporary storage or replication of a Web server content at one or more locations throughout the Internet to provide a quicker response to a browser request.

CPE Customer Premise Equipment.

CSU/DSU Channel Service Unit/Digital Service Unit. A device used to terminate telephone company equipment and prepare data for router interface.

DNS Domain Name Server.

DS-3 or T-3 A data communications circuit capable of transmitting data at 45 Mbps. Equivalent to 28 T-1's of data capacity. Currently used only by businesses/institutions and carriers for high end applications.

Ethernet A common method of networking computers in a LAN. Ethernet will handle about 10 Mbps and can be used with almost any kind of computer.

FDDI Fiber Distributed Data Interface. A standard for transmitting data on fiber-optic cables at a rate of 100 Mbps.

Firewall A system placed between networks that filters data passing through it and prevents unauthorized traffic, thereby enhancing the security of the network.

Frame Relay An information transfer standard for relaying traffic based on an address contained in the six-byte header of a variable length packet that is up to 2,106 bytes long.

Hertz The dimensional unit for measuring the frequency with which an electromagnetic signal cycles through the zero-value state between lowest and highest states. One Hertz (abbreviated Hz) equals one cycle per second. KHz (KiloHertz) stands for thousands of Hertz; MHz (MegaHertz) stands for millions of Hertz; GHz (GigaHertz) stands for billions of Hertz.

Internet A global collection of interconnected computer networks which use a specific communications protocol.

IP Internet Protocol. Network protocols that allow computers with different architectures and operating system software to communicate with other computers on the Internet.

ISDN Integrated Services Digital Network. An information transfer standard for transmitting digital voice and data over telephone lines at speeds up to 128 Kbps.

ISPs Internet Service Providers. Companies formed to provide access to the Internet to consumers and business customers via local networks.

IXC Interexchange Carrier. A telecommunications company that provides telecommunications services between local exchanges on an interstate or intrastate basis.

K/bps Kilobits per second. A transmission rate. One kilobit equals 1,024 bits of information.

LAN Local Area Network. A data communications network designed to interconnect personal computers, workstations, minicomputers, file servers and other communications and computing devices within a localized environment.

Leased Line Telecommunications line dedicated to a particular customer along predetermined routes.

LEC Local Exchange Carrier. A telecommunications company that provides telecommunications services in a geographic area in which calls generally are transmitted without toll charges. LECs include both RBOCs and competitive local exchange carriers.

LMDS Local Multipoint Distribution Service. Two blocks of spectrum with total bandwidth of 1150 MHz and 150 MHz to be auctioned and used for various wireless services.

MAE-East A major exchange point among ISPs, located in Falls Church, Virginia.

MAE-West A major exchange point among ISPs, located in Santa Clara, California.

Mbps Megabits per second. A transmission rate. One megabit equals 1,024 kilobits.

MMDS Microwave Multipoint Distribution Service.

Modem A device for transmitting digital information over an analog telephone line.

MSAs Metropolitan Statistical Areas. A designation by the U.S. Census Bureau for Metropolitan areas with a central city or an urbanized area having a minimum population of 50,000 with a total metropolitan population of at least 100,000 and including all counties that have strong economic and social ties to the central city.

NAP Network Access Point. A location at which ISPs exchange each other's traffic.

National Node National network access point where IP traffic is exchanged between network links and where regional networks access the national network.

NOC Network Operations Center. Facility where the Company monitors and manages the Company's network.

OC-3 A data communications circuit consisting of three DS-3s capable of transmitting data at 155 Mbps.

Peering The commercial practice under which ISPs exchange each other's traffic without the payment of settlement charges. Peering occurs at both public and private exchange points.

POP Point of Presence. Telecommunications facility where the Company locates network equipment used to connect customers to its network backbone.

Proxy Server A server that acts on behalf of one or more other servers, usually for screening, firewall, caching, or a combination of these purposes. Typically, a proxy server is used within a company to gather all Internet requests, forward them out to Internet servers, and then receive the responses and in turn forward them to the original requestor within the company.

Router Equipment placed between networks that relays data to those networks based upon a destination address contained in the data packets being routed.

TCP/IP Transmission Control Protocol/Internet Protocol. A suite of network protocols that allow computers with different architectures and operating system software to communicate with other computers on the Internet.

VPN Virtual Private Network. A network capable of providing the tailored services of a private network (i.e. low latency, high throughput, security and customization) while maintaining the benefits of a public network (i.e. ubiquity and economies of scale).

WAN Wide Area Network. A data communications network designed to interconnect personal computers, workstations, mini computers, file servers and other communications and computing devices across a broad geographic region.

Web Site A server connected to the Internet from which Internet users can obtain information.

World Wide Web or Web A collection of computer systems supporting a communications protocol that permits multi-media presentation of information over the Internet.

xDSL A term referring to a variety of new Digital Subscriber Line technologies. Some of these varieties are asymmetric with different data rates in the downstream and upstream directions. Others are symmetric. Downstream speeds range from 384 kbps (or "SDSL") to 1.5-8 Mbps (or "ASDL").

Verio Inc.

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Verio Inc.

Unaudited Pro Forma Condensed Combined Financial Statements

During the period from August 1, 1996 through the date of this Registration Statement, Verio Inc. ("Verio" or the "Company") completed numerous business combinations, whereby the Company acquired newly authorized redeemable, convertible preferred stock, shares of common stock, or certain net assets of entities operating in the Internet industry (ISPs) (the "Completed Acquisitions"). In addition, the Company has entered into definitive agreements for other business combinations which have not been completed at the date of the Registration Statement but which, in the opinion of management, are probable to be completed (the "Proposed Acquisitions"). Business combinations, which are acquisitions of a 100% ownership interest in the target business or of a majority ownership interest (upon conversion of the preferred shares to common stock) on a fully diluted basis, are accounted for using the purchase method of accounting. Acquisitions of minority interests represented by preferred stock are accounted for using the modified equity method of accounting (see Note 1 to Consolidated Financial Statements). The Completed Acquisitions and Proposed Acquisitions are described in Note A to the accompanying pro forma condensed combined financial statements.

While the Company now seeks to acquire 100% of new ISPs, the Company's early acquisition strategy was to rapidly build mass and scale by acquiring less than 100% of its ISPs. In each case where the Company acquired less than 100% of an ISP initially, it obtained the right to Buyout the remaining equity in the future at a price based on either agreed upon revenue multiples or the fair market value of the ISP. As part of its integration strategy, the Company is in the process of effecting the Buyouts of its remaining non-wholly owned ISPs through the use of cash on hand and the issuance of equity. As of February 27, 1998, Verio has consummated the Buyout of ten ISPs. Verio expects to consummate the Buyouts of all of its remaining non-wholly owned ISPs, other than Internet Online, Inc. and Verio -- Rocky Mountain, prior to the consummation of the Offering. With respect to those Buyouts that have not yet been completed, there can be no assurance that the Company will be able to complete these Buyouts at the times, or in accordance with the terms and conditions, that it currently contemplates.

The acquisitions of the remaining interests in existing consolidated subsidiaries or minority owned affiliates are also referred to as, and included in, Proposed Acquisitions, and are also described in Note A to the accompanying pro forma condensed combined financial statements. These acquisitions will also be accounted for using the purchase method of accounting.

The unaudited pro forma condensed combined balance sheet assumes that the Completed Acquisitions and the Proposed Acquisitions occurred on December 31, 1997 and includes the December 31, 1997 historical consolidated balance sheets of Verio and the acquired businesses adjusted for the pro forma effects of these acquisitions. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 1997 assumes that the Completed Acquisitions and the Proposed Acquisitions had occurred on January 1, 1997, and includes the historical consolidated statements of operations of Verio and the Completed and Proposed Acquisitions for the year ended December 31, 1997, adjusted for the pro forma effects of the acquisitions.

The unaudited pro forma condensed combined statement of operations is not necessarily indicative of the results of operations that would actually have occurred if the transactions had been consummated as of January 1, 1997 and is not intended to indicate the expected results for any future period. These statements should be read in conjunction with the historical consolidated financial statements and related notes thereto of Verio, and certain acquired businesses, included herein. The actual purchase accounting adjustments may be revised upon completion of the acquisitions.

Verio Inc.

PRO FORMA CONDENSED COMBINED BALANCE SHEET DECEMBER 31, 1997 (UNAUDITED)
AMOUNTS IN THOUSANDS

Assets

	VERIO	HISTORICAL COMPLETED ACQUISITIONS (NOTE B)	PROPOSED ACQUISITIONS (NOTE B)	PRO FORMA ADJUSTMENTS (NOTE E)	PRO FORMA COMBINED VERIO
Current assets:					
Cash and cash equivalents.....	$ 72,586	$ 357	$ 452	$(21,256)(1)	$ 52,139
Restricted cash and securities....	21,015	--	--	--	21,015
Receivables, net.....	7,565	324	623	--	8,512
Prepaid expenses and other.....	4,656	508	159	(534)(3)	4,789
Total current assets.....	105,822	1,189	1,234	(21,790)	86,455
Investments in affiliates, at cost.....	2,378	--	--	(1,128)(1)	1,250
Restricted cash and securities.....	19,539	--	--	--	

19,539					
Equipment and leasehold improvements, net.....	28,213	997	825	--	
30,035					
Other assets:					
Goodwill, net.....	83,216	--	--	44,594(1)	
127,800					
Other, net.....	7,303	138	30	--	
7,471					
Total assets.....	$246,471	$2,324	$ 2,089	$ 21,676	
$272,560					

Liabilities and Stockholders' Deficit

Current liabilities:					
Accounts payable and accrued expenses.....	$ 19,634	$ 870	$ 872	$ --	$
21,376					
Lines of credit, notes payable and current portion of long-term debt and capital lease obligations.....	4,326	506	612	(534)(3)	
4,910					
Deferred revenue.....	7,177	284	422	--	
7,883					
Total current liabilities.....	31,137	1,660	1,906	(534)	
34,169					
Long-term debt and capital lease obligations, less current portion.....	142,321	144	118	--	
142,583					
Total liabilities.....	173,458	1,804	2,024	(534)	
176,752					
Minority interests in subsidiaries.....	2,765	--	--	(2,765)(5)	-
-					
Redeemable preferred stock.....	97,249	1,158	1,558	(2,716)(2)	
97,249					
Stockholders' deficit:					
Preferred stock.....	10,200	--	--	25,560(1)	
35,760					
Common stock and additional paid-in capital.....	1,598	187	321	(508)(2)	
1,598					
Warrants.....	12,675	--	--	--	
12,675					
Retained earnings (deficit).....	(51,474)	(825)	(1,814)	2,639(2)	
(51,474)					
	(27,001)	(638)	(1,493)	27,691	
(1,441)					
Total liabilities and stockholders' deficit...	$246,471	$2,324	$ 2,089	$ 21,676	
$272,560					

Verio Inc.

PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 1997 (UNAUDITED) AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA

	VERIO	HISTORICAL COMPLETED ACQUISITIONS (NOTE C)	PROPOSED ACQUISITIONS (NOTE D)	PRO FORMA ADJUSTMENTS (NOTE E)	PRO FORMA COMBINED VERIO
Revenue:					
Internet connectivity	$ 23,476	$25,459	$ 4,512	$ (98)(3)	$ 53,349
Enhanced services and other	12,216	11,098	1,295	--	24,609
Total revenue	35,692	36,557	5,807	(98)	77,958
Costs and expenses:					
Internet services operating costs	15,974	14,595	1,982	(76)(3)	32,475
Selling, general and administrative and other	49,383	23,384	4,708	(886)(7)	76,589
Depreciation and amortization	10,624	1,998	300	9,597(4)	22,519
Total costs and expenses	75,981	39,977	6,990	8,635	131,583
Loss from operations	(40,289)	(3,420)	(1,183)	(8,733)	(53,625)
Other income (expense):					
Interest income	6,080	37	--	--	6,117
Interest expense	(11,826)	(310)	(68)	--	(12,204)
Equity in losses of affiliates	(1,958)	--	--	1,958(5)	--
Loss before minority interests and income taxes	(47,993)	(3,693)	(1,251)	(6,775)	(59,712)
Minority interests	1,924	--	--	(1,924)(5)	--
Income taxes	--	(1,352)	(3)	1,355(6)	--
Net loss	(46,069)	(5,045)	(1,254)	(7,344)	(59,712)
Accretion of preferred stock to liquidation value	(260)	--	--	--	(260)
Net loss attributable to common shareholders	$ (46,329)	$(5,045)	$(1,254)	$ (7,344)	$ (59,972)
Weighted average shares outstanding -- basic and diluted	1,144,685				1,144,685
Loss per common share -- basic and diluted	$ (40.47)				$ (52.39)

Verio Inc.

Notes to Pro Forma Condensed Combined Financial Statements

(A) Basis of Presentation

During the period from inception (March 1, 1996) to the date of this Registration Statement, Verio completed numerous business combinations (Completed Acquisitions). In addition, the Company has entered into definitive agreements for other business combinations which have not been completed at the date of the Registration Statement but which, in the opinion of management, are probable to be completed. The Company also has the right to Buyout the remaining ownership interests in subsidiaries and affiliates. These transactions are collectively referred to as the "Proposed Acquisitions." All of the acquisitions have been or will be accounted for using the purchase method of accounting. Summary information regarding the Completed and Proposed Acquisitions is as follows:

	OWNERSHIP PERCENTAGE COMPLETED ACQUISITIONS THROUGH DECEMBER 31,			
	PROPOSED ACQUISITION DATE(S)	1997 ACQUISITIONS(A)	TOTAL	
On-Ramp Technologies, Inc.	August 1, 1996	51%	45%	100%
	October 4, 1996	4%		
National Knowledge Networks, Inc.	August 2, 1996	26%	59%	100%
	November 7, 1997	15%		
RAINet, Inc.	August 2, 1996	100%		100%
Access One, Inc.	December 12, 1996	20%	80%	100%
CCnet, Inc.	December 19, 1996	100%		100%
Signet Partners, Inc.	December 19, 1996	25%	59%	100%
	November 20, 1997	16%		
Global Enterprise Services -- Network Division	January 17, 1997	100%		100%
Surf Network, Inc.	January 31, 1997	25%		100%
	December 22, 1997	75%		
Pacific Rim Network, Inc.	February 4, 1997	27%	73%(c)	100%
Pioneer Global Telecommunications, Inc.	February 6, 1997	100%		100%
Compute Intensive Inc.	February 18, 1997	55%	45%	100%
NorthWestNet, Inc.	February 28, 1997	85%	15%	100%
Internet Engineering Associates, Inc.	March 4, 1997	20%	80%	100%
Internet Online, Inc.	March 5, 1997	35%		35%
Structured Network Systems, Inc.	March 6, 1997	20%	80%	100%

Notes to Pro Forma Condensed Combined Financial Statements -- (Continued)

OWNERSHIP PERCENTAGE COMPLETED ACQUISITIONS THROUGH DECEMBER 31, PROPOSED ACQUISITION DATE(S) 1997 ACQUISITIONS(A) TOTAL

RustNet, Inc.	March 14, 1997	100%		100%
AimNet Corporation	May 19, 1997	55%		100%
	September 22, 1997	45%		
West Coast Online, Inc.	July 26, 1996	20%		100%
	April 29, 1997	12%		
	September 30, 1997	68%		
ServiceTech, Inc.	August 1, 1997	40%		100%
	December 31, 1997	60%		
Branch Information Services, Inc.	September 17, 1997	100%		100%
Communique, Inc.	October 2, 1997	100%		100%
Clark Internet Services, Inc.	October 17, 1997	51%	49%	100%
ATMnet, Inc.	November 5, 1997	100%		100%
Global Internet Network Services, Inc.				
	December 1, 1997	100%		100%
Sesquinet.	December 24, 1997	100%(b)		100%
PREPnet.	December 24, 1997	100%		100%
Monumental Network Systems, Inc.	December 31, 1997	100%		100%
Internet Servers, Inc.	December 31, 1997	100%		100%

(a) Acquisition to be completed, including the acquisitions of remaining interests in consolidated subsidiaries and minority owned affiliates.

(b) Entity was purchased 100% by a subsidiary that is 55% owned by the Company.

(c) Acquisition closed February 16, 1998.

The accompanying unaudited pro forma condensed combined balance sheet as of December 31, 1997 includes historical balances of Verio and the businesses to be acquired adjusted for the pro forma effects of the acquisitions to be completed subsequent to December 31, 1997, including the acquisitions of the remaining interests in certain consolidated subsidiaries and minority owned affiliates. All acquisitions are assumed to have been completed for cash, debt or the issuance of redeemable preferred stock of Verio. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 1997 includes historical results of operations of Verio and the businesses acquired or to be acquired, including the acquisitions of the remaining interests in certain consolidated subsidiaries and minority owned affiliates, adjusted for the pro forma effects of the acquisitions.

Notes to Pro Forma Condensed Combined Financial Statements -- (Continued)

(B) Historical Condensed Balance Sheet Information -- Completed and Proposed Acquisitions

Historical condensed balance sheet information for the Completed Acquisitions is as follows:

	PACIFIC RIM NETWORK, INC.	SIGNET PARTNERS, INC.	INTERNET ENGINEERING ASSOCIATES, INC.	NSNET, INC.	TOTAL
Current assets:					
Cash and cash equivalents	$ --	$ 60	$271	$ 26	$ 357
Receivables, net	46	112	106	60	324
Prepaid expenses and other	31	83	49	345	508
Total current assets	77	255	426	431	1,189
Equipment and leasehold improvements, net	181	238	191	387	997
Other assets	--	25	45	68	138
Total assets	258	$ 518	$662	$ 886	$2,324
Current liabilities:					
Accounts payable and accrued expenses	366	$ 285	$119	$ 100	$ 870
Lines of credit, notes payable and current portion of long-term debt and capital lease obligations	100	35	32	339	506
Deferred revenue	12	88	157	27	284
Total current liabilities	478	408	308	466	1,660
Long-term debt and capital lease obligations, less current portion	124	10	10	--	144
Total liabilities	602	418	318	466	1,804
Redeemable preferred stock	150	802	206	--	1,158
Stockholders' equity:					
Common stock and additional paid-in capital	55	38	10	84	187
Retained earnings (deficit)	(549)	(740)	128	336	

(825)				
Total stockholders' equity (deficit).....	(494)	(702)	138	420
(638)				
Total liabilities and stockholders' equity (deficit).....	$ 258	$ 518	$662	$ 886
$2,324				

Notes to Pro Forma Condensed Combined Financial Statements -- (Continued)

Historical condensed balance sheet information for the Proposed Acquisitions as of December 31, 1997 is as follows:

	NATIONAL KNOWLEDGE NETWORKS, INC.	STRUCTURED NETWORK SYSTEMS, INC.	ACCESS ONE, INC.	TOTAL
Current assets:				
Cash and cash equivalents.....	$ 166	$ 27	$ 259	$ 452
Receivables, net.....	73	206	344	623
Prepaid expenses and other.....	12	1	146	159
Total current assets.....	251	234	749	1,234
Equipment and leasehold improvements, net.....	92	54	679	825
Other assets.....	13	7	10	30
Total assets.....	$ 356	$ 295	$1,438	$ 2,089
Current liabilities:				
Accounts payable and accrued expenses.....	$ 70	$ 252	$ 550	$ 872
Lines of credit, notes payable and current portion of long-term debt and capital lease obligations.....	89	70	453	612
Deferred revenue.....	112	16	294	422
Total current liabilities.....	271	338	1,297	1,906
Long-term debt and capital lease obligations, less current portion.....	65	15	38	118
Total liabilities.....	336	353	1,335	2,024
Redeemable preferred stock.....	899	150	509	1,558
Stockholders' equity:				
Common stock and additional paid-in capital.....	227	1	93	321

Retained earnings (deficit).....	(1,106)	(209)	(499)	(1,814)			
Total stockholders' equity (deficit).....	(879)	(208)	(406)	(1,493)			
Total liabilities and stockholders' equity (deficit).....	$ 356	$ 295	$1,438	$ 2,089			

Verio Inc.

Notes to Pro Forma Condensed Combined Financial Statements -- (Continued)

(C) Historical Condensed Statements of Operations Information -- Completed Acquisitions

Historical condensed statement of operations information for the Completed Acquisitions for the year ended December 31, 1997 including the periods from January 1, 1997 to the dates of consolidation is as follows:

Year Ended December 31, 1997	AIMNET CORPORATION (A)	RUSTNET, INC.(A)	COMPUTE GES(A)	COMPUTE INTENSIVE(A)	NORTHWEST NET(A)	PIONEER GLOBAL TELECOMMUNICATIONS, INC.(A)	WEST COAST ONLINE, INC.
Revenue:							
Internet connectivity....	$1,068	$ 310	$ 112	$ 468	$ 709	$ 62	$1,192
Enhanced services and other.....	101	69	--	326	351	7	457
Total revenue.....	1,169	379	112	794	1,060	69	1,649
Operating costs and expenses:							
Internet services operating costs.....	444	147	94	301	113	33	735
Selling, general and administrative and other.....	978	319	133	673	1,661	37	981
Depreciation and amortization.....	248	17	--	16	136	4	77
Total costs and expenses.....	1,670	483	227	990	1,910	74	1,793
Earnings (loss) from operations.....	(501)	(104)	(115)	(196)	(850)	(5)	(144)
Interest income.....	8					--	

--						
Interest expense.....	--	(8)	--	(8)	--	(2)
--						
Earnings (loss) before income taxes.....	(493)	(112)	(115)	(204)	(850)	(7)
(144)						
Income taxes.....	--	--	--	--	118	(5)
--						
Net earnings (loss).....	$ (493)	$(112)	$(115)	$(204)	$ (732)	$(12)
$ (144)						

BRANCH INFORMATION Year Ended December 31, 1997 SERVICES, INC.

Revenue:	
Internet connectivity....	$588
Enhanced services and other.....	84
Total revenue.....	672
Operating costs and expenses:	
Internet services operating costs.....	84
Selling, general and administrative and other.....	298
Depreciation and amortization.....	2
Total costs and expenses.....	384
Earnings (loss) from operations.....	288
Interest income.....	--
Interest expense.....	--
Earnings (loss) before income taxes.....	288
Income taxes.....	(101)
Net earnings (loss).....	$187

	GLOBAL COMMUNIQUE, INC.	CLARK INTERNET SERVICES, INC.(A)	SURF NETWORK, Inc.(a)	SESQUINET (A)	ATMNET, INC.(A)	INTERNET SERVICES, INC.(A)	PREPNET
Revenue							
Internet connectivity.....	$1,454	$2,582	$ 585	$1,124	$2,754	$2,555	$2,026
Enhanced services and other.....	764	562	190	--	73	1,309	193
Total revenue.....	2,218	3,144	775	1,124	2,827	3,864	2,219
Operating costs and expenses:							
Internet services operating costs.....	690	1,394	431	538	2,976	2,288	811
Selling, general and administrative and other.....	1,159	1,784	981	367	1,786	1,309	827
Depreciation and amortization.....	5	116	76	54	40		

314	26											
Total costs and expenses.....	1,854	3,294	1,488	959	4,802	3,911	1,664					
Earnings (loss) from operations.....	364	(150)	(713)	165	(1,975)	(47)	555					
Interest income.....	--	2	--	--	--	--	--					
Interest expense.....	--	(25)	(33)	--	(171)	(1)	--					
Earnings (loss) before income taxes...	364	(173)	(746)	165	(2,146)	(48)	555					
Income taxes.....	(127)	--	--	(58)	--	--	(194)					
Net earnings (loss).....	$ 237	$ (173)	$ (746)	$ 107	$(2,146)	$ (48)	$ 361					

Verio Inc.

Notes to Pro Forma Condensed Combined Financial Statements -- (Continued)

	MONUMENTAL, INC.	INTERNET SERVERS, INC.	SERVICE TECH, INC.	PACIFIC RIM NETWORK, INC.	SIGNET PARTNERS, INC.	INTERNET ENGINEERING NSNET, INC.	ASSOCIATES, INC.
Revenue:							
Internet connectivity...	$2,472	$ --	$ 1,536	$ 472	$1,133	$1,426	$ 831
Enhanced services and other.....	--	4,496	627	337	518	331	303
Total revenue.....	2,472	4,496	2,163	809	1,651	1,757	1,134
Operating costs and expenses:							
Internet services operating costs.....	362	400	1,229	385	336	481	323
Selling, general and administrative and other.....	2,470	1,654	1,814	674	1,977	824	678
Depreciation and amortization.....	172	240	197	69	10	116	63
Total costs and expenses.....	3,004	2,294	3,240	1,128	2,323	1,421	1,064
Earnings (loss) from operations.....	(532)	2,202	(1,077)	(319)	(672)	336	70
Interest income.....	--	13	--	--	--	--	14
Interest expense.....	--	--	(42)	(15)	(5)	--	--
Earnings (loss) before							

```
      income taxes........      (532)       2,215      (1,119)         (334)            (677)
336               84
Income taxes..............        --         (856)         33           (15)              --
(118)             (29)
        Net earnings
          (loss).........    $ (532)      $1,359     $(1,086)        $(349)          $ (677)        $
218           $   55
```

Total

```
Revenue:
  Internet connectivity...   25,459
  Enhanced services and
    other.................   11,098
        Total revenue.....   36,557
Operating costs and
  expenses:
  Internet services
    operating costs.......   14,595
  Selling, general and
    administrative and
    other.................   23,384
  Depreciation and
    amortization..........    1,998
        Total costs and
          expenses........   39,977
    Earnings (loss) from
      operations..........   (3,420)
Interest income...........       37
Interest expense..........     (310)
    Earnings (loss) before
      income taxes........   (3,693)
Income taxes..............   (1,352)
        Net earnings
          (loss)..........   (5,045)
```

(a) Represents operations prior to date of consolidation as described in Note A.

(D) Historical Condensed Statements of Operations Information -- Proposed Acquisitions

Historical condensed statement of operations information for the Proposed Acquisitions for the year ended December 31, 1997 is as follows:

```
                                                  STRUCTURED                      NATIONAL
                                                    NETWORK       ACCESSONE,     KNOWLEDGE
            YEAR ENDED DECEMBER 31, 1997          SYSTEMS, INC.      INC.      NETWORKS, INC.
TOTAL

Revenue:
  Internet connectivity.............................     $ 859         $2,484         $1,169       $
4,512
  Enhanced services and other.......................        27          1,035            233
1,295
          Total revenue.............................       886          3,519          1,402
5,807
Operating costs and expenses:
  Internet services operating costs.................       473            840            669
```

```
1,982
  Selling, general and administrative and other.....        511          2,921          1,276
4,708
  Depreciation and amortization.....................         --            245             55
300
          Total costs and expenses..................        984          4,006          2,000
6,990
     Earnings (loss) from operations................        (98)          (487)          (598)
(1,183)
Interest income.....................................                        --             --
--
Interest expense....................................        (17)           (26)           (25)
(68)
     Earnings (loss) before income taxes............       (115)          (513)          (623)
(1,251)
Income taxes........................................         --             --             (3)
(3)
          Net earnings (loss).......................     $(115)       $ (513)        $ (626)
$(1,254)
```

Verio Inc.

Notes to Pro Forma Condensed Combined Financial Statements -- (Continued)

(E) Pro Forma Adjustments

The following pro forma adjustments have been made to the condensed combined balance sheet as of December 31, 1997 and the condensed combined statement of operations for the year ended December 31, 1997. The purchase accounting adjustments relating to the acquisitions completed prior to January 1, 1998 are included in the historical consolidated balance sheet of Verio as of December 31, 1997.

(1) To reflect cash and 1,704,000 shares of preferred stock to be used for the Proposed Acquisitions and the allocation of excess purchase price to goodwill in the amount of $44,594,000 and to adjust investments in affiliates for the proposed acquisitions of majority interests. In the opinion of management, the historical balances of all other assets acquired and liabilities assumed approximate fair value.

(2) To eliminate equity accounts of the Proposed Acquisitions.

(3) To eliminate intercompany revenue, expenses, receivables and payables.

(4) To adjust amortization expense due to increase in carrying value of goodwill, using a ten-year life, including additional amortization expense related to consolidated acquisitions completed during 1997.

(5) To eliminate minority interests share of equity and operations and equity in losses of affiliates upon acquisition of 100% ownership interests.

(6) To eliminate income tax expense or benefit of acquired businesses due to consolidated net operating loss for the year ended December 31, 1997.

(7) To adjust selling, general and administrative expense for nonrecurring compensation expense relating to stock options and bonuses issued to NorthWestNet employees prior to acquisition in the amount of $885,000.

Independent Auditors' Report

The Board of Directors Verio Inc.:

We have audited the accompanying consolidated balance sheets of Verio Inc. and subsidiaries as of December 31, 1996 and 1997, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the period from inception (March 1, 1996) to December 31, 1996 and the year ended December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audit 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Verio Inc. and subsidiaries as of December 31, 1996 and 1997, and the results of their operations and their cash flows for the period from inception (March 1, 1996) to December 31, 1996 and the year ended December 31, 1997 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP Denver, Colorado February 25, 1998

Verio Inc. and Subsidiaries

Consolidated Balance Sheets (Amounts in Thousands, Except Share Data)

Assets

	DECEMBER 31,		PRO FORMA DECEMBER 31,
	1996	1997	1997(1) (UNAUDITED)
Current assets:			
Cash and cash equivalents	$ 66,467	$ 72,586	
Restricted cash and securities (notes 3 and 4)	--	21,015	
Receivables:			
Trade, net of allowance for doubtful accounts of $117 and $1,233	611	7,565	
Affiliates	119	735	
Prepaid expenses and other	410	3,921	
Total current assets	67,607	105,822	
Restricted cash and securities (notes 3 and 4)	--	19,539	
Investments in affiliates, at cost (note 2)	1,536	2,378	
Equipment and leasehold improvements:			
Internet access and computer equipment	4,485	30,535	
Furniture, fixtures and computer software	220	3,301	
Leasehold improvements	141	1,596	
	4,846	35,432	
Less accumulated depreciation and amortization	(359)	(7,219)	
Net equipment and leasehold improvements	4,487	28,213	
Other assets:			
Goodwill, net of accumulated amortization of $303 and $3,595 (note 2)	8,736	83,216	
Debt issuance costs, net	--	4,858	
Organization costs and other, net	262	2,445	
Total assets	$ 82,628	$246,471	
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable	$ 2,132	$ 7,389	
Accrued expenses	931	11,401	
Accrued interest payable	--	844	
Accrued preferred stock issuance costs	1,110	--	
Lines of credit, notes payable and current portion of long-term debt (note 3)	2,573	2,751	
Current portion of capital lease obligations (note 4)	64	1,575	
Deferred revenue	659	7,177	
Total current liabilities	7,469	31,137	
Long-term debt, less current portion, net of discount (note 3)	20	139,376	
Capital lease obligations, less current portion (note 4)	86	2,945	
Total liabilities	7,575	173,458	
Minority interests in subsidiaries (note 2)	2,231	2,765	
Redeemable preferred stock (note 5):			
Series A, convertible, $.001 par value. 6,100,000 shares authorized, 6,033,333 shares issued and outstanding at December 31, 1996 and 1997. Liquidation preference of $18,100	18,078	18,080	--

Series B, convertible, $.001 par value. 10,117,000 shares authorized 10,000,000 and 10,028,334 shares issued and outstanding at December 31, 1996 and 1997. Liquidation preference of $60,170	58,799	59,193	--
Series C, convertible, $.001 par value. 2,500,000 shares authorized, issued and outstanding at December 31, 1997. Liquidation preference of $20,000	--	19,976	--
	76,877	97,249	--
Stockholders' equity (deficit) (note 6):			
Preferred stock, Series D-1, convertible, $.001 par value. 3,000,000 shares authorized, 680,000 shares issued and outstanding at December 31, 1997. Liquidation preference of $10,200 (note 5)	--	10,200	--
Common stock, $.001 par value; 35,133,000 shares authorized; 1,090,000 and 1,254,533 shares issued and outstanding at December 31, 1996 and 1997 (20,496,200 shares pro forma)	1	1	20
Additional paid-in capital	1,089	14,272	121,702
Accumulated deficit	(5,145)	(51,474)	(51,474)
Total stockholders' equity (deficit)	(4,055)	(27,001)	70,248
Commitments (notes 2, 4 and 5)			
Total liabilities and stockholders' deficit	$ 82,628	$246,471	

(1) Reflects the conversion of all preferred shares into common stock on the basis described in Note 5, only upon completion of the offering described in the registration statement.

See accompanying notes to consolidated financial statements.

Verio Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS (AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	PERIOD FROM INCEPTION (MARCH 1, 1996) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997
Revenue:		
Internet connectivity	$ 2,239	$ 23,476
Enhanced services and other	126	12,216
Total revenue	2,365	35,692
Costs and expenses:		
Internet services operating costs	974	15,974
Selling, general and administrative and other	7,002	49,383
Depreciation and amortization	669	10,624
Total costs and expenses	8,645	75,981
Loss from operations	(6,280)	(40,289)
Other income (expense):		
Interest income	593	6,080
Interest expense	(115)	(11,826)
Equity in losses of affiliates	--	(1,958)
Loss before minority interests	(5,802)	(47,993)
Minority interests	680	1,924
Net loss	(5,122)	(46,069)
Accretion of preferred stock to liquidation value	(23)	(260)
Net loss attributable to common shareholders	$(5,145)	$(46,329)
Loss per common share -- basic and diluted	$ (5.29)	$ (40.47)

Weighted average number of common shares outstanding --basic and diluted	971,748	1,144,685

See accompanying notes to consolidated financial statements.

Verio Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT (AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	PREFERRED STOCK	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
		SHARES	AMOUNT			
BALANCES AT INCEPTION	$ --	--	$--	$ --	$ --	$ --
Issuance of common stock for cash	--	1,090,000	1	1,089	--	1,090
Accretion of preferred stock to liquidation value	--	--	--	--	(23)	(23)
Net loss	--	--	--	--	(5,122)	(5,122)
BALANCES AT DECEMBER 31, 1996	--	1,090,000	1	1,089	(5,145)	(4,055)
Issuance of common stock for exercise of options	--	76,200		148	--	148
Issuance of common stock for cash	--	88,333		360	--	360
Warrants issued in connection with debt offering (note 3)	--	--	--	12,675	--	12,675
Issuance of preferred stock in business combination (note 5)	10,200	--	--	--	--	10,200
Accretion of redeemable preferred stock to liquidation value	--	--		--	(260)	(260)
Net loss	--	--	--		(46,069)	(46,069)
BALANCES AT DECEMBER 31, 1997	$10,200	1,254,533	$ 1	$14,272	$(51,474)	$(27,001)

See accompanying notes to consolidated financial statements.

Verio Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Amounts in Thousands)

	PERIOD FROM INCEPTION (MARCH 1, 1996) TO DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997

Cash flows from operating activities:		
Net loss	$(5,122)	$(46,069)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	669	10,624
Minority interests' share of losses	(680)	(1,924)
Equity in losses of affiliates	--	1,958
Changes in operating assets and liabilities, excluding effects of business combinations:		
Receivables	(265)	(1,561)
Prepaid expenses and other current assets	(284)	(2,305)
Accounts payable	1,439	(1,656)
Accrued expenses	1,910	3,082
Accrued interest payable	--	844
Deferred revenue	7	1,684
Net cash used by operating activities	(2,326)	(35,323)
Cash flows from investing activities:		
Acquisition of equipment and leasehold improvements	(3,430)	(14,547)
Acquisition of net assets in business combinations and investments in affiliates, net of cash acquired	(5,627)	(64,023)
Restricted cash and securities		(40,554)
Other	(66)	(1,206)
Net cash used by investing activities	(9,123)	(120,330)
Cash flows from financing activities:		
Proceeds from lines of credit, notes payable and long-term debt	--	145,512
Repayments of lines of credit and notes payable	(20)	(3,468)
Repayments of capital lease obligations	(8)	(950)
Proceeds from issuance of common and preferred stock, net of issuance costs	77,944	20,678
Net cash provided by financing activities	77,916	161,772
Net increase in cash and cash equivalents	66,467	6,119
Cash and cash equivalents:		
Beginning of period	--	66,467
End of period	$66,467	$ 72,586
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ --	$ 10,982
Equipment acquired through capital lease obligations	$ 58	$ 3,301
Acquisition of net assets in business combination through issuance of preferred stock	$ --	$ 10,200
Warrants issued in connection with debt offering	$ --	$ 12,675

See accompanying notes to consolidated financial statements.

Verio Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1996 AND 1997 (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (a) Organization and Basis of Presentation Verio Inc. (Verio or the Company) was incorporated on March 1, 1996 to capitalize on the growing demand for Internet access and enhanced services by business users through the acquisition, integration, and growth of existing independent Internet service providers with a business customer focus in targeted geographic regions. The goal of the Company is to be the dominant, full-service national provider of Internet connectivity and enhanced Internet services to small and medium sized businesses. The Company commenced operations in April 1996 and had no activity other than the sale of common stock to founders prior to April 1, 1996.

The accompanying consolidated financial statements include the accounts of Verio and its majority owned subsidiaries, as described in Note 2. All significant intercompany balances and transactions have been eliminated in consolidation. The preparation of financial statements 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 amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents and Restricted Cash The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Included in cash equivalents as of December 31, 1996 and December 31, 1997 are U.S. government, municipal and corporate debt securities, money market accounts and commercial paper, totaling $61,769,000 and $75,442,000 (exclusive of cash overdraft in the amount of $11,228,000), respectively, with maturities ranging from thirty to ninety days.

Restricted cash and securities include U.S. government securities which are classified as securities held to maturity and recorded at cost. At December 31, 1997, cost approximated market value.

(c) Equipment and Leasehold Improvements Equipment and leasehold improvements are recorded at cost. Depreciation is provided over the estimated useful lives of the assets ranging from 3 to 5 years using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset.

(d) Investments in Affiliates and Consolidation of Subsidiaries Investments in affiliates represent newly issued preferred shares of various affiliates. The preferred shares are convertible at the option of the Company into common shares on a one-for-one basis and represent future common stock ownership interests, upon conversion, of less than 50%. As the Company did not acquire a common stock ownership interest, these investments are recorded at cost until such time as the preferred shares are converted to common. In addition, if these entities incur losses resulting in the equity of the common shareholders being reduced to zero, the Company will utilize the equity method of accounting for these investments and will generally recognize 100% of all losses of the affiliates from that date, up to the amount of the Company's investment, based on the inability of the majority common shareholders to fund additional losses. During the year ended December 31, 1997, the Company recognized equity in losses of affiliates of $1,958,000 under this method of accounting.

The Company has also acquired preferred shares in certain entities which are convertible into future common stock ownership interests of greater than 50%. In these situations, the Company has majority representation on the Board of Directors, exercises significant control over the entities' operations, and intends

to acquire a 100% common ownership interest in the future. Accordingly, the accounts of these investees have been consolidated with those of the Company in the accompanying consolidated financial statements from the dates of acquisition (see note 2).

(e) Other Assets

The excess of cost over the fair value of net assets acquired, or goodwill, is amortized using the straight-line method over a 10-year period. Other intangibles are amortized using the straight-line method over periods ranging from three to seven years.

(f) Long-Lived Assets The Company evaluates the carrying value of its long-lived assets under the provisions of Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lives Assets to be Disposed Of (SFAS 121). SFAS 121 requires impairment losses to be recorded on long-lived assets used in operations, including goodwill, when indications of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. In addition, the recoverability of goodwill is further evaluated under the provisions of APB Opinion No. 17, Intangible Assets, based upon undiscounted cash flows. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value, less costs to sell.

(g) Revenue Recognition Revenue related to Internet services is recognized as the services are provided, and deferred and amortized to operations for amounts billed relating to future periods. Installation and customer set-up fees are recognized upon completion of the services. Revenue from consulting services is recognized as the services are provided. Revenue from hardware and software sales is recognized upon shipment of the respective products.

(h) Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the difference is expected to reverse.

(i) Stock-Based Compensation The Company accounts for its stock-based employee compensation plans using the intrinsic value based method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations (APB 25). The Company has provided pro forma disclosures of net loss and loss per share as if the fair value based method of accounting for the plans, as prescribed by Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), had been applied. Pro forma disclosures include the effects of employee stock options granted during the period and year ended December 31, 1996 and 1997.

(j) Loss Per Share

Loss per share is presented in accordance with the provisions of Statement of Financial Accounting Standards No. 128, Earnings Per Share, (SFAS 128). SFAS 128 replaced the presentation of primary and fully diluted earnings (loss) per share (EPS), with a presentation of basic EPS and diluted EPS. Under SFAS 128, basic EPS excludes dilution for common stock equivalents and is computed by dividing income or loss 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 into common stock and resulted in the issuance of common stock. Basic and diluted EPS are the same in 1996 and 1997, and all common stock equivalents are antidilutive.

(2) Business Combinations and Investments in Affiliates

During the period from inception (March 1, 1996) to December 31, 1996, the Company completed seven business combinations and investments for cash and notes payable. All of the acquisitions were accounted for using the purchase method of accounting or at cost. For those businesses acquired and consolidated, the results of operations for the acquired businesses are included in the Company's consolidated statement of operations from the dates of acquisition. Summary information regarding the business combinations is as follows:

Consolidated acquisitions in 1996:

BUSINESS NAME	ACQUISITION DATE	OWNERSHIP INTEREST PURCHASED(A)	TOTAL OWNERSHIP INTEREST AT DECEMBER 31, 1996(A)
On-Ramp Technologies, Inc....	August 1, 1996	51%	
	October 4, 1996	4%	55%
RAINet, Inc.....	August 2, 1996	100%	100%
CCnet Inc.....	December 19, 1996	100%	100%

The aggregate purchase price, including acquisition costs of $284,000, was allocated based upon fair value as follows:

Equipment	$ 1,359,000
Goodwill	9,039,000
Net current assets	2,461,000
Total purchase price	$12,859,000

Unconsolidated investments in 1996:

BUSINESS NAME	ACQUISITION DATE	OWNERSHIP INTEREST PURCHASED(A)	TOTAL OWNERSHIP INTEREST AT DECEMBER 31, 1996(A)
West Coast Online, Inc.	July 26, 1996	20%	20%
National Knowledge Networks, Inc.	August 2, 1996	26%	26%
AccessOne, Inc.	December 12, 1996	20%	20%
Signet Partners, Inc.	December 19, 1996	25%	25%

The aggregate purchase price of the above investments, including acquisition costs of $102,000, was $1,536,000.

During the year ended December 31, 1997, the Company completed 23 business combinations and investments for cash, notes payable and preferred stock. All of the acquisitions were accounted for using the purchase method of accounting or at cost. For those businesses acquired and consolidated, the results of operations for the acquired businesses are included in the Company's consolidated statement of operations from the dates of acquisition. Seventeen subsidiaries were acquired and newly consolidated during 1997. In addition, the Company formed two new start-up subsidiaries. Summary information regarding these acquisitions is as follows:

Consolidated acquisitions in 1997:

BUSINESS NAME	ACQUISITION DATE	OWNERSHIP INTEREST PURCHASED(A)	TOTAL OWNERSHIP INTEREST AT DECEMBER 31, 1997(A)
Global Enterprise Services -- Network Division	January 17, 1997	100%	100%
Pioneer Global Telecommunications, Inc.	February 6, 1997	100%	100%
Compute Intensive Inc.	February 18, 1997	55%	55%
NorthWestNet, Inc.	February 28, 1997	85%	85%
RUSTnet, Inc.	March 14, 1997	100%	100%
Aimnet Corporation	May 19, 1997	55%	
	September 22, 1997	45%	100%
Branch Information Services, Inc.	September 17, 1997	100%	100%
West Coast Online, Inc.	April 29, 1997	12%	
	September 30, 1997	68%	100%
Communique, Inc.	October 2, 1997	100%	100%

Clark Internet Services, Inc.	October 17, 1997	51%	51%
ATMnet, Inc.	November 5, 1997	100%	100%
Global Internet Network Services, Inc.	December 1, 1997	100%	100%
Surf Network, Inc.	January 31, 1997	25%	
	December 22, 1997	75%	100%
PREPnet.....	December 24, 1997	100%	100%
Service Tech, Inc.	August 1, 1997	40%	
	December 31, 1997	60%	100%
Monumental Network Systems, Inc.	December 31, 1997	100%	100%
Internet Servers, Inc.	December 31, 1997	100%	100%

The aggregate purchase price, including acquisition costs of $3,396,000 was allocated based upon fair values as follows:

Equipment.....	$ 12,378,000
Goodwill.....	77,772,000
Net current liabilities.....	(9,452,000)
Total purchase price.....	$ 80,698,000

Unconsolidated investments in 1997:

BUSINESS NAME	ACQUISITION DATE	OWNERSHIP INTEREST PURCHASED(A)	TOTAL OWNERSHIP INTEREST AT DECEMBER 31, 1997(A)
Pacific Rim Network, Inc.....	February 4, 1997	27%	27%
Internet Engineering Associates, Inc.....	March 4, 1997	20%	20%
Internet Online, Inc.....	March 5, 1997	35%	35%
Structured Network Systems, Inc.....	March 6, 1997	20%	20%
National Knowledge Networks, Inc.....	November 7, 1997	15%	41%
Signet Partners, Inc.....	November 20, 1997	16%	41%

The aggregate purchase price of the above investments, including acquisition costs of $253,000, was $2,822,000.

(a) Represents existing ownership interest or, in the case of investments in preferred stock, ownership upon conversion of preferred shares to common, on a fully diluted basis.

The following unaudited condensed pro forma information presents the unaudited results of operations of the Company as if the above consolidated acquisitions had occurred on January 1, 1996:

YEAR ENDED DECEMBER 31, 1996 1997 (AMOUNTS IN THOUSANDS, EXCEPT FOR PER SHARE DATA)

Revenue.....	$ 44,693	$ 63,665
Net loss.....	(33,326)	(59,006)

Net loss attributable to common shareholders.....	(33,349)	(59,266)
Loss per common share -- basic and diluted.....	$ (34.32)	$ (51.77)

The pro forma results do not necessarily represent results that would have occurred if the consolidated acquisitions had taken place as of January 1, 1996, nor are they necessarily indicative of the results of future operations.

For all of its less-than-100%-owned ISP affiliates, the Company has the option to acquire all of the remaining ownership interests. Generally, the option may be exercised beginning one year from the date of the initial investment or upon the earlier of the completion of an initial public offering of common stock by the Company or a significant strategic investment in the Company. In one case, the Company's option becomes mandatorily exercisable upon completion of an initial public offering.

Subsequent to December 31, 1997, the Company, in conjunction with the integration of its operations into regional operating units, has completed the acquisition of the remaining ownership interests in 6 ISPs, and expects to complete the acquisition of the remaining ownership interests in all but two of its remaining less-than-100%-owned ISPs, for total consideration of approximately $25,500,000 in preferred stock and approximately $21,256,000 in cash and options.

Verio Inc. and Subsidiaries

Notes to Consolidated Financial Statements -- (Continued)

(3) Debt

Lines of credit, notes payable and long-term debt consists of the following as of December 31, 1996 and 1997:

DECEMBER 31, 1996 1997 (AMOUNTS IN THOUSANDS)

13.5% Senior Notes due in 2004, net of unamortized discount of $12,130,136(a).....	$ --	$137,870
Revolving lines of credit, bearing interest at .5% to 2.00% above prime, (9.0% to 10.5% at December 31, 1997) due primarily on demand, secured by restricted cash of $765,000.....	--	788
Unsecured notes payable bearing interest primarily at 7%, due in 1998 and 1999.....	2,500	2,809
Other.....	93	660
	2,593	142,127
Less current portion.....	(2,573)	(2,751)
Long-term debt, less current portion.....	$ 20	$139,376

(a) In June 1997, the Company completed a debt offering of $150,000,000, 13.5% Senior Notes due 2004 (the "1997 Notes") and warrants to purchase 2,112,480 shares of common stock at $.01 per share, which were valued at approximately $12,675,000. Interest on the 1997 Notes is payable semi-annually on June 15 and December 15 of each year. The value attributed to the warrants has been recorded as debt discount and is being amortized to interest expense using the interest method over

the term of the 1997 Notes. Upon closing, the Company deposited U.S. Treasury securities in an escrow account in an amount that, together with interest on the securities, will be sufficient to fund the first five interest payments (through December 1999) on the 1997 Notes. This restricted cash and securities balance totaled $38,195,404 at December 31, 1997. The 1997 Notes are redeemable on or after June 15, 2002 at 103% of the face value.

The indenture covering the 1997 Notes includes various covenants restricting the payment of dividends, additional indebtedness, disposition of assets, and transactions with affiliates.

Maturities of lines of credit, notes payable and long-term debt are as follows:

1998	$ 2,751
1999	1,032
2000	474
2001	--
2002	--
Thereafter	137,870
	$142,127

Subsequent to December 31, 1997, Verio received commitments from a group of commercial lending institutions to provide an aggregate of up to $57.5 million pursuant to a two-year revolving credit financing facility. The Company is in the process of negotiating the definitive terms and conditions and final documentation for this facility. Chase Manhattan Bank has committed to serve as agent for the lenders in this facility. In addition, the Company is considering a possible private placement of up to $100 million in senior

notes. There can be no assurance that the Company will be able to negotiate final terms and conditions that are acceptable to the Company with respect to, or to consummate, either of such financing efforts.

(4) Leases and Commitments

The Company leases office space, certain facilities storing internet points of presence and certain computer and office equipment under capital and operating leases expiring at various dates through 2003. Future minimum annual lease payments under these leases as of December 31, 1997 are as follows:

	CAPITAL LEASES	OPERATING LEASES
	(AMOUNTS IN THOUSANDS)	
1998	$ 2,142	$ 5,398
1999	1,882	4,926
2000	1,298	3,596
2001	100	1,386

2002 and thereafter	9	194
Total minimum payments	$ 5,431	$15,500
Less amount representing interest	(911)	
Present value of net minimum lease payments	4,520	
Less current portion	(1,575)	
	$ 2,945	

In addition, the Company has entered into agreements with two telecommunications companies to provide the Company with products and services to be used in its operations. Under one agreement, the minimum payments as of December 31, 1997 are as follows (in Thousands):

1998	$1,200
1999	1,900
2000	2,400
2001	800
Total minimum payments	$6,300

Under the second agreement, the Company is obligated to spend a total of $39 million between June 16, 1997 and June 16, 2002 of which $1,500,000 had been paid as of December 31, 1997. Annual payments will be based on actual usage by the Company.

The Company had an outstanding irrevocable letter of credit in the amount of $1.1 million as of December 31, 1997. This letter of credit, which is automatically renewed after one year at the discretion of the bank, not to be extended beyond January 31, 2003, is to collateralize the Company's lease obligation to a third party. The fair value of this letter of credit approximates contract value which is fixed over the life of the commitment. Restricted cash in the amount of $1,400,000 secures the letter of credit.

(5) Preferred Stock

Series A, B and C preferred shares were issued in 1996 and 1997 at $3, $6 and $8 per share, respectively, for total proceeds of $18,100,001, $60,170,004 and $20,000,000, respectively, and are convertible into common stock initially on a one-for-one basis. In December 1997, the Company also issued 680,000 shares of Series D-1 preferred shares at $15 per share in connection with an acquisition. The preferred shares are entitled to receive dividends equal, on an as-converted basis, to any amount paid to common shareholders. In

the event of any liquidation or dissolution of the Company, including certain mergers, consolidations and asset sales, holders of the preferred shares are entitled to receive an amount equal to the original issuance price, plus any declared and unpaid dividends.

In addition, the Series A, B and C preferred shares are subject to mandatory redemption, in total, by the Company in October 2004. The Series D-1 preferred shares are not redeemable. Upon redemption, the Series C shares are senior to Series B shares, which are senior to Series A shares, on the basis provided in the preferred stock terms. Series A, B, C and D-1 preferred shares may be converted into shares of common stock at any time at the option of the holder. The Series A, B, C and D-1 preferred shares are also subject to mandatory conversion upon consummation of a public offering of common stock resulting in proceeds to the Company of not less than $30 million and at an offering price per share equal to at least $15. In addition, shares of Series D-1 preferred stock are subject to mandatory conversion upon the election of each of the Series A, B and C classes, each voting as a separate class, to convert to common.

(6) Stock-based Compensation Plans

The Company has established Incentive Stock Option Plans (the Plans) whereby, at the discretion of the Board of Directors (the Board), the Company may grant stock options to certain key employees of the Company and has reserved shares for the issuance of options. The option price is determined by the Board at the time the option is granted, but in no event is less than the fair market value of the Company's common stock at the date of grant, as determined by the Board. As of December 31, 1996 and December 31, 1997, options had been granted entitling the holders to purchase 707,200 and 2,237,050 shares of the Company's common stock, respectively, at exercise prices of $1, $3, $6, $6.75 and $8.50 per share. Options granted on or before December 19, 1997, vest over a five year period, and expire ten years from the date of grant. Options granted December 20, 1997, or later, vest over a four year period, and expire eight years from the date of grant. In certain circumstances, options vest earlier or later based upon the fair value of the Company's common shares or upon reaching certain performance targets, as defined, and in the case that such performance targets are not met, such performance-based options vest [either five years] or seven years from the date of grant. Performance based options granted on or before December 19, 1997, expire ten years from the date of grant, and performance based options granted December 20, 1997, or later, expire eight years from the date of grant. As of December 31, 1997, 54,700 options, in total, were vested and exercisable. Options may be exercised prior to vesting but are subject to a repurchase by the Company at the exercise price. The weighted average contractual term of outstanding options was approximately 5 years at December 31, 1997.

The following table summarizes option activity for the period from inception (March 1, 1996) through December 31, 1997:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Options granted at the following exercise prices:		
$1 per share	60,000	
$3 per share	647,700	
Options outstanding at December 31, 1996	707,700	$2.83
Options granted at the following exercise prices:		
$3 per share	6,000	
$6 per share	924,550	
$6.75 per share	635,450	
$8.50 per share	191,250	
Options forfeited	(151,700)	$5.95
Options exercised	(76,200)	$1.95
Options outstanding at December 31, 1997	2,237,050	$5.55

As discussed in Note 1, the Company applies APB Opinion 25 and related interpretations in accounting for its stock compensation plan. Accordingly, since the Company grants stock options with exercise prices equal to fair value at the date of grant, no compensation expense has been recognized relating to option grants in 1996 and 1997. During the period and year ended December 31, 1996 and 1997, the per share weighted-average fair value of stock options granted was $.46 and $1.08, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: no dividends or volatility, risk-free interest rate of 6%, and expected life of three years. If the Company had recorded compensation expense for the period and year ended December 31, 1996 and 1997, based on the fair value of the options at the grant date under SFAS No. 123, net loss available to common shareholders would increase to $5,210,000 and $46,737,000, respectively, and basic and diluted net loss per common share would increase to $4.78 and $40.83, respectively.

(7) Income Taxes

At December 31, 1997, the Company has a net operating loss carryforward for federal income tax purposes of approximately $49.9 million which is available to offset future federal taxable income, if any, through 2012. As a result of various preferred stock transactions during 1996 and 1997, management believes the Company has undergone an "ownership change" as defined by section 382 of the Internal Revenue Code. Accordingly, the utilization of a portion of the net operating loss carryforward may be limited. Due to this limitation, and the uncertainty regarding the ultimate utilization of the net operating loss carryforward, no tax benefit for losses has been recorded by the Company in 1996 and 1997, and a valuation allowance has been recorded for the entire amount of the deferred tax asset relating to the net operating loss carryforward of $18.6 million. Net other temporary differences relating to differences in the carrying amounts of assets and liabilities for financial statement and income tax purposes are not significant.

(8) Concentration of Credit Risk and Fair Value of Financial Instruments

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable. As of December 31, 1996 and 1997, the Company had concentrations of credit risk in one financial institution in the approximate amounts of $30,443,000 and $74,445,000, respectively. Concentrations of credit risk with respect to trade receivables are limited due to the

large number of customers comprising the Company's customer base and the relatively minor balances of each individual account. At December 31, 1996 and December 31, 1997, the fair value, of the Company's financial instruments approximate their carrying value, based on their terms and interest rates.

(9) Quarterly Financial Data (Unaudited)

Summary quarterly financial information for the Company is as follows. The second quarter of 1996 represents the period from inception (March 1, 1996) to March 31, 1996 (Amounts in Thousands).

THREE MONTHS ENDED 1996 MARCH 31 JUNE 30 SEPTEMBER 30 DECEMBER 31 TOTAL

Revenue	$ --	$ --	$ 678	$ 1,687	$ 2,365
Loss from operations	--	(329)	(1,395)	(4,556)	(6,280)
Net loss	--	(329)	(1,442)	(3,374)	(5,145)
Loss per common share -- basic and diluted	--	(0.34)	(1.48)	(3.47)	(5.29)

1997 March 31 June 30 September 30 December 31 Total

Revenue	$ 4,414	$ 8,249	$ 9,624	$ 13,405	$ 35,692
Loss from operations	(5,592)	(8,854)	(10,741)	(15,102)	(40,289)
Net loss	(4,677)	(8,120)	(12,762)	(20,770)	(46,329)
Loss per common share -- basic and diluted	(4.29)	(7.28)	(10.84)	(18.06)	(40.47)

Independent Auditors' Report

The Board of Directors Verio Inc.:

We have audited the accompanying balance sheet of OnRamp Technologies, Inc. as of July 31, 1996, and the related statements of operations, stockholders' deficit, and cash flows for the nine months then ended. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presently fairly, in all material respects, the financial position of OnRamp Technologies, Inc. as of July 31, 1996, and the results of its operations and its cash flows for the nine months then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP Denver, Colorado April 11, 1997

On-ramp Technologies, Inc.

Balance Sheet July 31, 1996

Assets

Current assets:	
Trade receivables, net of allowance for doubtful accounts of $80,812	$ 433,075
Prepaid expenses and other	25,079
Total current assets	458,154
Equipment, net (note 2)	867,388
Total assets	$ 1,325,542
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Cash overdraft	$ 91,342
Accounts payable	448,460
Accrued liabilities	61,750
Current portion of note payable (note 3)	55,003
Deferred revenue	652,965
Total current liabilities	1,309,520
Note payable, less current portion (note 3)	58,692
Total liabilities	1,368,212
Stockholders' equity (deficit) (note 5):	
Common stock, $0.001 par value, 40,000,000 shares authorized, 1,079,000 shares issued	1,079
Additional paid-in capital	1,804,871
Accumulated deficit	(1,822,620)
Treasury stock -- 689,971 shares at cost	(26,000)
Total stockholders' deficit	(42,670)

Commitments and contingencies (note 4):	
Total liabilities and stockholders' deficit.....	$ 1,325,542

See accompanying notes to financial statements.

On-ramp Technologies, Inc.

Statement of Operations Nine Months Ended July 31, 1996

Revenue:	
Internet services.....	$2,959,650
Computer hardware and software sales.....	312,487
Consulting services.....	92,881
Total revenue.....	3,365,018
Cost and expenses:	
Internet services operating costs.....	606,249
Cost of hardware and software sales.....	249,990
Selling, general and administrative.....	2,708,448
Depreciation.....	260,194
Total operating expenses.....	3,824,881
Loss from operations.....	(459,863)
Other income (expense):	
Interest income.....	8,035
Interest expense.....	(7,991)
Net loss.....	$ (459,819)

See accompanying notes to financial statements.

On-ramp Technologies, Inc.

Statement of Stockholders' Deficit Nine Months Ended July 31, 1996

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
BALANCES AT NOVEMBER 1, 1995.....	1,079	1,799,699	(1,362,801)	(26,000)	411,977
Capital contribution.....	--	5,172	--	--	5,172
Net loss.....	--	--	(459,819)	--	(459,819)
BALANCES AT JULY 31, 1996.....	$1,079	1,804,871	(1,822,620)	(26,000)	(42,670)

See accompanying notes to financial statements.

On-ramp Technologies, Inc.

Statement of Cash Flows Nine Months Ended July 31, 1996

Cash flows from operating activities:	
Net loss	$(459,819)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	260,194
Provision for bad debts	497,742
Changes in operating assets and liabilities:	
Trade receivables	(375,867)
Prepaid expenses	6,103
Accounts payable	(170,123)
Accrued liabilities	4,891
Deferred revenue	227,140
Net cash used by operating activities	(9,739)
Cash flows from investing activities --	
purchases of equipment	(222,564)
Cash flows from financing activities:	
Increase in cash overdraft	91,342
Principal payments on note payable	(26,919)
Capital contribution	5,172
Net cash used by financing activities	69,595
Decrease in cash	(162,708)
Cash at beginning of period	162,708
Cash at end of period	$ --
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 7,991

See accompanying notes to financial statements.

On-ramp Technologies, Inc.

Notes to Financial Statements July 31, 1996

(1) Summary of Significant Accounting Policies

Business and Basis of Presentation OnRamp Technologies, Inc. (the Company) was incorporated in the State of Texas on December 27, 1993. The Company's business consists of providing regional internet access services, and hardware and software sales and consulting, to customers in Texas and Georgia.

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 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.

Revenue Recognition

Internet services are recognized as the services are provided. The Company records deferred revenue for amounts billed and/or collected in advance.

Revenue from consulting services is recognized as the services are provided. Revenue from hardware and software sales is recognized upon shipment of the respective products.

Equipment

Equipment is stated at cost, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful life of the related assets of three years. Costs for normal repairs and maintenance are expensed as incurred.

Income Taxes

Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109). Under SFAS 109, deferred income taxes are recognized for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Long-Lived Assets

In March 1995, the Financial Accounting Standards Board issued 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 121). This statement was effective for financial statements for fiscal years beginning after December 15, 1995. Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The adoption of SFAS 121 as of November 1, 1995 did not have a significant effect on the Company's financial position or results of operations.

Stock Based Compensation In October 1996, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, (SFAS No. 123), which establishes a fair

value-based method of accounting for stock-based compensation plans. Companies are encouraged to adopt all provisions of SFAS No. 123 and are required to comply with the disclosure requirements of SFAS No. 123, which was effective for fiscal years beginning after December 15, 1995. The Company will continue to account for stock based compensation under the provisions of APB Opinion No. 25 and will provide the pro forma disclosures required by SFAS 123.

(2) Equipment

Equipment consisted of the following at July 31, 1996:

Internet and computer equipment	$1,155,370
Furniture and office equipment	119,973
Leasehold improvements	6,668
	1,282,011
Less accumulated depreciation	(414,623)
	$ 867,388

(3) Debt

Debt as of July 31, 1996 consists of the following:

Note payable bearing interest at 18%, monthly principal and interest payments of $7,020 through April 1, 1998..... $113,695 Less current portion..... (55,003) $ 58,692

(4) Commitments and Contingencies

Future minimum annual lease payments under operating leases for each of the years ending July 31, are as follows:

1997	$129,377
1998	326,781
1999	324,755
2000	211,920
	$992,833

Rent expense for the nine months ended July 31, 1996 totaled $90,999.

Concentration of Credit Risk and Financial Instruments The Company provides unsecured credit to customers in the normal course of business. Failure of the customers to pay could result in losses up to the recorded receivable balances. The Company does not have any customers that represent greater than 5% of total revenue at July 31, 1996.

The Company conducts business in Texas and Georgia. Customers who operate in Texas represent approximately 97% of the Company's customer base and accounts receivable.

At July 31, 1996, the fair value of the Company's financial instruments approximates their carrying value based on their terms and interest rates.

On-ramp Technologies, Inc.

Notes to Financial Statements -- (Continued)

(5) Stockholders' Equity

Effective August 1, 1996, the Company issued 1,250,000 shares of newly authorized redeemable, convertible preferred stock to Verio Inc. (Verio)for cash consideration of $2,336,816, cancellation of indebtedness in the amount of $1,663,184, and a note receivable of $4,175,000. The preferred shares are convertible into common shares on a one for one basis and represent a 50.82% interest in the Company upon conversion. The preferred shares are redeemable at the option of the holder at any time, vote on an as-converted basis, and have a liquidation preference equal to the issuance price. On October 4, 1996, Verio purchased 100,000 shares of common stock from two Company shareholders for cash consideration of $600,000, representing an additional 4.07% interest in the Company. In addition, Verio acquired an option to acquire a 100% common stock ownership in the Company in the future upon the occurrence of certain events, including an initial public offering of Verio common stock.

The Company established a stock option plan (the Plan) which provides that salaried officers or key employees, non-employee directors, and consultants who provide services to the Company may, at the discretion of the Board of Directors, be granted options to purchase shares of common stock. 130,560 shares of the Company's Common Stock have been authorized for issuance under the Plan, of which 59,878 shares were granted during the nine months ended July 31, 1996, with an exercise price of $6.34 per share. There were no options exercised or canceled during the nine months ended July 31, 1996. As of July 31, 1996, 11,976 options were exercisable.

Generally, options vest 20% or 25% on the date of grant of the option and the balance vests thereafter over a 4 or 3 year period.

During the nine months ended July 31, 1996, the per share weighted-average fair values of stock options granted was $.71 on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions; expected dividend yield 0%, risk-free interest rate of 6%, and expected life of four years. If the Company determined compensation expense for the nine months ended July 31, 1996 based on the fair value of the options at the grant date under SFAS No. 123, net loss would have been approximately $468,000.

(6) Income Taxes

At December 31, 1995, the Company has a net operating loss carryforward for federal income tax purposes of $534,000 which is available to offset future federal taxable income, if any, through 2010. Management believes the Company has undergone an ownership change under section 382 of the Internal Revenue Code and, accordingly, the utilization of the net operating loss carryforward incurred prior to this ownership change is limited. Due to this limitation and the uncertainty regarding the ultimate utilization of the net operating loss carryforward a valuation allowance has been recorded for the full amount of the deferred tax asset related to the net operating loss carryforward, which represents the only significant temporary difference as of December 31, 1996.

Independent Auditors' Report

The Board of Directors Verio Inc.:

We have audited the accompanying balance sheets of Global Enterprise Services -- Network Division (a Division of Global Enterprise Services, Inc.) as of December 31, 1995 and 1996, and the related statements of operations and owners' deficit, and cash flows for each of the years in the three-year period ended December 31, 1996 and the period ended January 17, 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 audit 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 Global Enterprise Services -- Network Division (a Division of Global Enterprises Services, Inc.) as of December 31, 1995 and 1996, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1996 and for the period ended January 17, 1997, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP Denver, Colorado February 25, 1998 GLOBAL ENTERPRISE SERVICES -- NETWORK DIVISION (A DIVISION OF GLOBAL ENTERPRISE SERVICES, INC.)

Balance Sheets December 31, 1995 and 1996

Assets

1995 1996

Current assets:		
Cash	$ 31,072	33,018
Accounts receivable, net of allowance for doubtful accounts of $67,247 in 1995 and $84,510 in 1996	843,980	822,823
Prepaid expenses and other assets	26,286	10,424
Total current assets	901,338	866,265
Equipment, net (note 2)	1,672,045	2,388,509
Other assets	43,487	118,888
Total assets	$ 2,616,870	3,373,662
LIABILITIES AND OWNER'S DEFICIT		
Current liabilities:		
Accounts payable	$ 1,223,510	2,450,316
Accrued expenses	378,400	449,270
Deferred revenue	1,293,360	1,545,884
Current portion of capital lease obligations (note 6)	213,041	548,608
Due to related party (note 3)	866,840	2,183,256
Total current liabilities	3,975,151	7,177,334
Capital lease obligations, less current portion (note 6)	454,122	824,034
Total liabilities	4,429,273	8,001,368
Owner's deficit	(1,812,403)	(4,627,706)
Total liabilities and owner's deficit	$ 2,616,870	3,373,662

See accompanying notes to financial statements.

GLOBAL ENTERPRISE SERVICES -- NETWORK DIVISION (A DIVISION OF GLOBAL ENTERPRISE SERVICES, INC.)

STATEMENTS OF OPERATIONS AND OWNER'S DEFICIT YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996 AND PERIOD ENDED JANUARY 17, 1997

Period Ended 1994 1995 1996 January 17, 1997

Internet services revenue, net	$3,386,621	3,642,063	3,958,049	155,170
Costs and expenses:				
Internet services operating costs	1,965,110	2,484,276	3,227,766	163,076
Selling, general and administrative	1,716,853	1,953,712	2,847,300	107,179
Depreciation and amortization	191,983	291,541	556,112	33,126
Total operating costs and expenses	3,873,946	4,729,529	6,631,178	303,381
Loss from operations	(487,325)	(1,087,466)	(2,673,129)	(148,211)
Interest expense, net	(6,479)	(39,960)	(142,174)	(6,622)
Net loss	(493,804)	(1,127,426)	(2,815,303)	(154,833)
Owner's deficit at beginning of period	(191,173)	(684,977)	(1,812,403)	(4,627,706)
Owner's deficit at end of period	$ (684,977)	(1,812,403)	(4,627,706)	(4,782,539)

See accompanying notes to financial statements.

GLOBAL ENTERPRISE SERVICES -- NETWORK DIVISION (A DIVISION OF GLOBAL ENTERPRISE SERVICES, INC.)

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996 AND PERIOD ENDED JANUARY 17, 1997 PERIOD ENDED JANUARY 17, 1994 1995 1996 1997

Cash flows from operating activities:				
Net loss	(493,804)	(1,127,426)	(2,815,303)	$(154,833)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:				
Depreciation and amortization	191,983	291,541	556,112	33,126
Provision for doubtful accounts	30,644	31,714	25,993	--
Changes in operating assets and liabilities:				
Accounts receivable	170,528	(291,457)	(4,836)	148,984
Prepaid expenses and other current assets	(26,819)	11,404	15,862	(9,636)
Other assets	(27,258)	3,771	(75,401)	60,000
Accounts payable	286,981	766,581	1,226,806	(52,610)
Accrued expenses	63,273	(3,735)	70,870	116,785
Deferred revenue	297,900	(387,288)	252,524	(155,171)
Net cash provided (used) by operating activities	493,428	(704,895)	(747,373)	(13,355)
Cash flows from investing activities -- purchases of equipment	(321,399)	(497,168)	(345,436)	--
Cash flows from financing activities:				
Net change in due to related party	(142,215)	1,318,772	1,316,416	(153,663)
Proceeds from debt	--	--	--	134,000
Principal repayments on capital lease obligations	(22,739)	(93,738)	(221,661)	--
Net cash provided (used) by financing activities	(164,954)	1,225,034	1,094,755	(19,663)
Net increase (decrease) in cash	7,075	22,971	1,946	(33,018)
Cash at beginning of period	1,026	8,101	31,072	33,018
Cash at end of period	8,101	31,072	33,018	$ --
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	6,073	35,249	70,535	$ 6,622
Supplemental disclosure of non-cash investing activities -- equipment acquired through capital leases	10,908	735,088	927,140	$ --

See accompanying notes to financial statements.

GLOBAL ENTERPRISE SERVICES -- NETWORK DIVISION (A DIVISION OF GLOBAL ENTERPRISE SERVICES, INC.)

Notes to Financial Statements December 31, 1995 and 1996

(1) Summary of Significant Accounting Policies and Basis of Presentation

Business and Basis of Presentation Global Enterprise Services, Inc. (GES) was formed in August 1992 to provide internet services to subscribers on a national and international basis through a high performance telecommunications network. The accompanying financial statements include the

accounts of the domestic operations (Network Division), assuming that the Network Division had been operated separately as of January 1, 1994 and thereafter.

In preparing the accompanying financial statements, management has allocated certain assets, liabilities, revenue and expenses based upon the characteristics of the accounts and the business divisions to which they relate. Expenses which are not directly related to a particular division are allocated based upon revenue or payroll expense of the division which, in the opinion of management, represents a reasonable and appropriate method of allocation.

Effective January 17, 1997, the net assets of the Network Division were acquired by Verio Inc.

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 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.

Revenue Recognition

Internet services are recognized as the services are provided. The Network Division records deferred revenue for amounts billed and/or collected in advance.

Equipment

Equipment, including any assets under capital leases, is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the related assets or the lease term, which range from five to seven years. Costs for normal repairs and maintenance are expensed as incurred.

Income Taxes

The operations of the Network Division are included in the income tax returns of GES, which was treated as a subchapter S Corporation in 1994 and through August 14, 1995, and a C Corporation beginning on August 15, 1995.

Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109). Under SFAS 109, deferred income taxes are recognized for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

No tax benefit has been allocated to the Network Division in 1994, 1995 and 1996 or for the period ended January 17, 1997, due to losses at the GES level for which no tax benefit has been provided for financial statement purposes.

Notes to Financial Statements -- (Continued)

Concentration of Credit Risk and Financial Instruments The Network Division provides unsecured credit to customers in the normal course of business. Failure of the customers to pay could result in losses up to the recorded receivable balances. The Network Division does not have any customers that represent greater than 5% of total revenue for the years ended December 31, 1994, 1995 and 1996 or for the period ended January 17, 1997.

At December 31, 1996, the fair value of the Network Division's financial instruments approximates their carrying value based on their terms and interest rates.

Long-Lived Assets

In March 1995, the Financial Accounting Standards Board issued 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 121). This statement was effective for financial statements for fiscal years beginning after December 15, 1995. Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The adoption of SFAS 121 effective January 1, 1996 did not have a significant effect on the Network Division's financial position or results of operations.

(2) Equipment

Equipment consisted of the following at December 31:

1995 1996

Internet and computer equipment.....	$2,277,949	3,286,929
Furniture and office equipment.....	5,889	64,709
Leasehold improvements.....	27,165	204,624
	2,311,003	3,556,262
Less accumulated depreciation and amortization.....	(638,958)	(1,167,753)
	$1,672,045	2,388,509

(3) Related Party Transactions

Amounts due to related party represent net cash transfers between the Network Division and the other divisions of GES, and are non interest bearing.

(4) Employee Benefit Plan

GES has established a defined contribution savings plan which provides for eligible employees who have met certain age and service requirements to participate by electing to contribute up to 15% of their gross salary to the plan, as defined, with GES and the Network Division matching 25% of a participant's contribution up to a maximum of 10% of gross salary, as defined. Employee contributions are immediately vested. Contributions to the savings plan on behalf of the Network Division employees for the years ended December 31, 1994, 1995 and 1996 were $3,253, $1,697 and $6,838, respectively.

GLOBAL ENTERPRISE SERVICES -- NETWORK DIVISION (A DIVISION OF GLOBAL ENTERPRISE SERVICES, INC.)

Notes to Financial Statements -- (Continued)

(5) National Science Foundation Grants

The Network Division receives grant revenue from the National Science Foundation (NSF) to provide network connections to certain not-for-profit educational institutions. Funding is received on a per entity basis. The grant revenue is recognized ratably over the term of the contract with the not-for-profit educational institution, which is generally twelve months. Grant revenue amounted to $131,166, $99,487 and $47,112, in 1994, 1995 and 1996, respectively. Total amounts receivable at December 31, 1994, 1995 and 1996 were $34,990, $72,199 and $23,243, respectively.

In September 1994, GES and the Network Division entered into a four year cooperative agreement with the NSF to provide for interregional connectivity for the Network Division's United States research and educational customers in the aggregate amount of $625,115. Pursuant to the agreement, the Network Division will be reimbursed by the NSF for costs associated with upgrading the Network Division's existing telecommunications network. The level of funding for each year will be determined based upon a progress review of the Network Division by the NSF and the availability of NSF funds. The Network Division is required to submit an annual plan to the NSF. For the years ended December 31, 1995 and 1996, respectively, the Network Division recognized $154,344 and $196,169 as a reduction to internet services operating costs. No amounts were recognized for the year ended December 31, 1994. Total amounts receivable were $30,904 and $10,326 as of December 31, 1995 and 1996, respectively.

(6) Leases

The Network Division has entered into capital and operating leases for telecommunications equipment and office space. Future minimum lease commitments under all leases at December 31, 1996 are as follows:

YEAR ENDING DECEMBER 31,	CAPITAL LEASES	OPERATING LEASES
1997	$ 650,731	344,562
1998	468,940	360,623
1999	392,382	360,830
2000	89,056	372,295
2001	--	191,466
Total minimum lease payments	1,601,109	1,629,776
Less amount representing interest	(228,467)	
Present value of minimum lease payments	$1,372,642	
Less current portion	(548,608)	
	$ 824,034	

Rent expense for the years ended December 31, 1994, 1995 and 1996 was $193,904, $218,408 and $455,936, respectively.

GLOBAL ENTERPRISE SERVICES -- NETWORK DIVISION (A DIVISION OF GLOBAL ENTERPRISE SERVICES, INC.)

Notes to Financial Statements -- (Continued)

The Network Division has guaranteed monthly usage levels with its primary communications vendors at December 31, 1996 as follows:

Year Ending December 31,

1997	$205,000
1998	205,000
1999	51,250
Total	$461,250

Independent Auditors' Report

The Board of Directors Verio Inc.:

We have audited the accompanying balance sheets of Compute Intensive, Inc. as of December 31, 1995 and 1996, and the related statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two year period ended December 31, 1996 and for the period ended February 18, 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 audit 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 presently fairly, in all material respects, the financial position of Compute Intensive, Inc. as of December 31, 1995 and 1996, and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 1996 and for the period ended February 18, 1997 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP Denver, Colorado February 25, 1998

Compute Intensive Inc.

Balance Sheets December 31, 1995 and 1996

Assets

1995 1996

Current assets:		
Cash	$ 20,335	44,328
Trade receivables, net of allowance for doubtful accounts of $35,033 and $105,858 in 1995 and 1996, respectively	455,148	506,017
Income taxes receivable	9,612	15,510
Deferred income taxes (note 7)	16,362	--
Prepaid expenses and other	5,937	183,834
Total current assets	507,394	749,689
Equipment, net (note 2)	344,988	604,358
Other assets	15,408	48,587
Total assets	$867,790	1,402,634

Liabilities and Stockholders' Equity (Deficit)

Current liabilities:		
Revolving lines of credit (note 3)	$ 28,193	207,115
Current portion of note payable to related party (note 3)	18,341	--
Current portion of obligations under capital leases (note 4)	60,220	121,535
Accounts payable	373,146	809,791
Accrued liabilities	113,218	142,235
Deferred revenue	43,343	53,295
Total current liabilities	636,461	1,333,971
Note payable to related party, less current portion (note 3)	70,384	--
Capital lease obligations, less current portion (note 4)	104,048	169,476
Deferred income taxes (note 7)	27,790	--
Total liabilities	838,683	1,503,447
Stockholders' equity (deficit):		
Common stock, no par value, 1,000,000 shares authorized, 900,000 shares issued and outstanding	900	900
Additional paid-in capital	41,112	106,266
Accumulated deficit	(12,905)	(207,979)
Total stockholders' equity (deficit)	29,107	(100,813)

Commitments and contingencies (note 4)		
Total liabilities and stockholders' equity (deficit)	$867,790	1,402,634

See accompanying notes to financial statements.

Compute Intensive Inc.

STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 1995 AND 1996 AND PERIOD ENDED FEBRUARY 18, 1997 PERIOD ENDED FEBRUARY 18, 1995 1996 1997

Revenue:			
Internet services	$ 584,174	2,013,098	519,127
Consulting services	1,562,814	1,878,336	187,812
Computer hardware sales	263,924	387,215	44,540
Computer software sales	5,345	37,881	17,375
Other	69,145	60,037	24,736
Total revenue	2,485,402	4,376,567	793,590
Operating expenses:			
Cost of consulting services	503,454	537,000	107,604
Cost of internet services	317,768	670,158	144,457
Cost of hardware sales	227,913	292,941	26,394
Cost of software sales	5,859	28,043	15,032
Marketing and selling	348,006	541,426	137,449
General and administrative	1,001,736	2,331,945	544,350
Depreciation and amortization	46,174	133,280	15,954
Total operating expenses	2,450,910	4,534,793	991,240
Earnings (loss) from operations	34,492	(158,226)	(197,650)
Interest expense	(23,319)	(54,174)	(7,254)
Earnings (loss) before income taxes	11,173	(212,400)	(204,904)
Income tax benefit (expense) (note 7)	(7,308)	17,326	--
Net earnings (loss)	$ 3,865	(195,074)	(204,904)

See accompanying notes to financial statements.

Compute Intensive Inc.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) YEARS ENDED DECEMBER 31, 1995 AND 1996 AND PERIOD ENDED FEBRUARY 18, 1997

	COMMON STOCK	COMMON STOCK SUBSCRIBED	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
BALANCES AT JANUARY 1, 1995	$ --	900	41,112	(16,770)	25,242
Issuance of common stock	900	(900)	--	--	--
Net earnings	--	--	--	3,865	3,865
BALANCES AT DECEMBER 31, 1995	900	--	41,112	(12,905)	29,107
Capital contribution (note 3)	--	--	65,154	--	65,154
Net loss	--	--	--	(195,074)	(195,074)
BALANCES AT DECEMBER 31, 1996	900	--	106,266	(207,979)	(100,813)
Net loss	--	--	--	(204,904)	(204,904)
BALANCES AT FEBRUARY 18, 1997	$900	--	106,266	(412,883)	(305,717)

See accompanying notes to financial statements.

Compute Intensive Inc.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 1995 AND 1996 AND PERIOD ENDED FEBRUARY 18, 1997 PERIOD ENDED FEBRUARY 18, 1995 1996 1997

Cash flows from operating activities:			
Net earnings (loss)	$ 3,865	(195,074)	(204,904)
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	46,174	133,280	15,954
Deferred income tax expense (benefit)	11,972	(11,428)	--
Provision for bad debts	35,015	135,593	5,580
Changes in operating assets and liabilities:			
Increase in receivables	(306,539)	(186,462)	(64,719)
Decrease (increase) in prepaid expenses and other	4,463	(117,897)	(33,368)
Increase in other assets	(7,678)	(35,191)	(2,251)
Increase in accounts payable	306,005	372,637	78,036
Increase in accrued liabilities	22,478	29,017	49,219
Increase in income tax receivable	(17,064)	(5,898)	15,510
Increase in deferred revenue	34,358	9,952	(18,215)
Net cash provided (used) by operating activities	133,049	128,529	(159,428)
Cash flows from investing activities -- Purchases of equipment	(131,193)	(158,549)	(119,999)
Cash flows from financing activities:			
Borrowings under revolving lines of credit	19,000	305,258	66,057
Repayments of revolving lines of credit	(1,808)	(126,336)	(98,225)
Borrowings (payments) on note payable to related party	(11,275)	(19,563)	200,000
Principal payments on capital lease obligations	(24,880)	(105,346)	(12,717)
Cash overdraft	--	--	79,984
Net cash provided (used) by financing activities	(18,963)	54,013	235,099
Increase (decrease) in cash	(17,107)	23,993	(44,328)
Cash, beginning of period	37,442	20,335	44,328
Cash, end of period	$ 20,335	44,328	--
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes	$ 10,800	--	$ --
Interest	$ 21,571	54,175	$ 7,253
Noncash investing and financing activities -- Equipment acquired through capital lease obligations	$ 158,006	232,089	$ --

See accompanying notes to financial statements.

Compute Intensive Inc.

Notes to Financial Statements December 31, 1995 and 1996

(1) Summary of Significant Accounting Policies

Organization and Basis of Presentation Compute Intensive, Inc. (the Company) was incorporated in the State of California on December 31, 1993. The Company has three distinct areas of business; providing regional internet access services to customers in California and New Mexico, software and hardware consulting and sales, and software development and implementation.

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 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.

Revenue Recognition

Internet services are recognized as the services are provided. The Company records deferred revenue for amounts billed and/or collected in advance.

Revenue from consulting services is recognized when services have been rendered. On fixed price contracts, revenue is recognized over the course of the contract using the percentage-of-completion method. The Company provides for any anticipated losses on such contracts in the period in which such losses are first determinable.

Revenue from hardware and software sales is recognized upon shipment of the respective products.

Equipment

Equipment, including any assets under capital leases, is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the related assets on the lease term, which range from five to seven years. Costs for normal repairs and maintenance are expensed as incurred.

Income Taxes

Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109). Under SFAS 109, deferred income taxes are recognized for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Fair Value of Financial Instruments Statement of Financial Accounting Standards No. 107 requires disclosure about fair value for all financial instruments whether or not recognized for financial statement purposes. Management estimates that the fair value of all financial instruments as of December 31, 1995 and 1996 approximates their carrying value based on their terms and interest rates. The use of different market assumptions and/or estimation methodologies may have a significant effect on the estimated fair values.

Compute Intensive Inc.

Notes to Financial Statements -- (Continued)

Long-Lived Assets

In March 1995, the Financial Accounting Standards Board issued 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 121). This statement was effective for financial statements for fiscal years beginning after December 15, 1995. Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at lower of the carrying amount or fair value less costs to sell. The adoption of SFAS 121 in 1996 did not have a significant effect on the Company's financial position or results of operations.

Stock Based Compensation In October 1996, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, (SFAS No. 123), which establishes a fair value-based method of accounting for stock-based compensation plans. Companies are encouraged to adopt all provisions of SFAS No. 123 and are required to comply with the disclosure requirements of SFAS No. 123, which was effective for fiscal years beginning after December 15, 1995. The Company will continue to account for stock based compensation under the provisions of APB Opinion No. 25 and will provide the pro forma disclosures required by SFAS 123.

Reclassifications

Certain reclassifications have been made to the 1995 financial statements to conform with the 1996 presentation.

(2) Equipment

Equipment consisted of the following at December 31:

1995 1996

Internet and computer equipment	$342,407	730,143
Furniture and office equipment	55,016	57,718
Leasehold improvements	1,892	2,092
	399,315	789,953
Less accumulated depreciation and amortization	(54,327)	(185,595)
	$344,988	604,358

Equipment includes assets owned under capital leases with a net book value of $173,607 and $315,303 at December 31, 1995 and 1996, respectively.

(3) Debt

At December 31, 1995 and 1996, the Company had an $100,000 unsecured revolving line of credit agreement with a bank, under which $28,193 and $32,167 was outstanding, respectively. Borrowings under the line bear interest at the bank's prime lending rate plus 4.75% or 4.5%, based on an average daily balance, payable monthly (12.75% at December 31, 1996) and are due in 1997.

Compute Intensive Inc.

Notes to Financial Statements -- (Continued)

On October 16, 1996, the Company entered into an additional $200,000 revolving line of credit agreement with a bank, under which $174,948 was outstanding at December 31, 1996. Borrowings under the line bear interest at the bank's prime lending rate plus 2%, based on an average daily balance, payable monthly (10.25% at December 31, 1996) and are due in 1997.

Note payable to related party at December 31, 1995 bore interest at 7.5% and was due in monthly installments through 2000. During 1996, the unpaid balance of $65,154 was assumed by the Company's majority stockholder and was forgiven and recorded as a capital contribution. The Company borrowed $200,000 from Verio Inc. (Verio) (See note 6), during the period ended February 18, 1997. Such amount was non interest bearing and was repaid in connection with Verio's investment in the Company.

(4) Commitments and Contingencies

Leases

The Company leases certain computer and office equipment under capital leases. The Company also leases office space under noncancelable operating leases expiring at various dates through 1997.

Future minimum annual lease payments under capital and noncancelable operating leases for each of the years ending December 31 are as follows:

	CAPITAL LEASES	OPERATING LEASES

1997	$ 166,477	200,490
1998	123,363	269,220
1999	50,815	281,820
2000	24,352	307,020
2001	11,823	313,320
Total minimum payments	376,830	1,371,870
Less amount representing interest	(85,819)	
Present value of net minimum lease payments	291,011	
Less current portion	(121,535)	
	$ 169,476	

Rent expense for the years ended December 31, 1995 and 1996 and the period ended February 18, 1997 was $83,148, $128,130 and $27,800, respectively.

Concentration of Credit Risk The Company provides unsecured credit to customers in the normal course of business. Failure of the customers to pay could result in losses up to the recorded receivable balances. The Company's largest customer represented approximately 32% and 20% of total revenues for the years ended December 31, 1995 and 1996, respectively.

The Company conducts business in California and New Mexico. Customers who operate in California represent at least 75% of the Company's customer base and accounts receivable.

(5) Employee Benefit Plan

The Company has a Simplified Employee Pension Plan (the Plan) covering all employees who meet certain eligibility requirements. The Company may make discretionary contributions to the Plan on behalf of

employees that meet certain contribution eligibility requirements defined under the terms of the Plan. The Company did not make any contributions to the Plan during 1995 or 1996.

(6) Stockholders' Equity and Redeemable Preferred Stock

On February 18, 1997, the Company issued 770,234 shares of newly authorized redeemable, convertible preferred stock to Verio for cash consideration of $4,899,998. The preferred shares are convertible into common shares on a 1.000 for 1.0017 basis and represent a 55% ownership interest in the Company upon conversion. The preferred shares are redeemable at the option of the holder at any time, vote on an as-converted basis, and include a liquidation preference equal to the issuance price. In addition, Verio acquired an option to acquire a 100% common stock ownership in the Company which

it may exercise at any time on or after one year following the issuance date of the preferred shares. Upon the initial public offering of Verio common stock or a significant strategic investor in Verio, Verio is required to exercise the option.

The Company's 1995 Stock Option/Stock Issuance Plan (the Plan) was adopted by the Board of Directors and approved by the shareholders of the Company in March 1995. The Plan provides that salaried officers or key employees, non-employee directors, and consultants who provide services to the Company may, at the discretion of the plan administrator, be granted options to purchase shares of common stock. 250,000 shares of the Company's Common Stock have been authorized for issuance under the Plan, of which 131,000 and 29,500 nonqualified options were granted in 1995 and 1996, respectively, with an exercise price of $.05 and $.001 per share, respectively. There were no options exercised and 18,176 were canceled during 1996.

Generally, options vest 25% on the first anniversary of the option grant date and the balance vests thereafter in equal successive monthly installments over the next 36 months of service. Option grants to nonemployee directors must be approved by the Board.

During 1995 and 1996, the per share weighted-average fair values of stock options granted was $.01 and $.65, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for both years; expected dividend yield 0%, risk-free interest rate of 6%, and expected life of three years. If the Company determined compensation expense in 1995 and 1996 based on the fair value of the options at the grant date under SFAS No. 123, net loss and net earnings would not have been significantly different than the historical results of operations.

(7) Income Taxes

Income tax expense (benefit) consists of the following for the years ended December 31:

1995 1996

```
Current:
  Federal.....................................................  $(3,838)   (6,698)
  State.......................................................     (826)      800
                                                                (4,664)   (5,898)
Deferred:
  Federal.....................................................    9,261    (8,717)
  State.......................................................    2,711    (2,711)
                                                                11,972   (11,428)
                                                               $ 7,308   (17,326)
```

No tax benefit was recorded for the period ended February 18, 1997 due to uncertainty as to realization of the net operating loss for the period.

Compute Intensive Inc.

Notes to Financial Statements -- (Continued)

Income taxes expense (benefit) for the years ended December 31 differs from the amounts that would result from applying the federal statutory rate of 34% as follows:

1995 1996

Expected tax expense (benefit)	$ 3,798	(72,216)
State income taxes, net of federal benefit	335	(6,373)
Nondeductible expenses	3,175	7,142
Increase in valuation allowance for deferred tax assets	--	41,066
Other	--	13,055
Actual income tax expense (benefit)	$ 7,308	(17,326)

Temporary differences that give rise to the components of deferred tax assets and liabilities as of December 31 are as follows:

1995 1996

Deferred tax assets:		
Net operating loss carryforwards	$ --	50,231
Accounts receivable, due to allowance for doubtful accounts for financial statement purposes only	15,169	37,983
Other	1,193	--
Gross deferred tax asset	16,362	88,214
Valuation allowance	--	(41,066)
Net deferred tax asset	16,362	47,148
Deferred tax liability:		
Equipment, due to differences in depreciation for financial statement and tax purposes	(23,696)	(43,054)
Other	(4,094)	(4,094)
Total deferred tax liability	(27,790)	(47,148)
Net deferred tax liability	$ 11,428	--

As of December 31, 1996, the Company has a net operating loss carryforward of approximately $132,000 for federal income tax purposes which will expire in 2011, if not utilized. A valuation allowance has been recorded for a portion of the related deferred tax asset due to the uncertainty relating to the realization of the entire net operating loss carryforward in the future.

Independent Auditors' Report

The Board of Directors NorthWestNet, Inc.:

We have audited the accompanying balance sheet of NorthWestNet, Inc. as of June 30, 1996, and the related statements of operations, stockholders' equity, and cash flows for the six months ended June 30, 1996 and the eight months ended February 28, 1997. We have also audited the accompanying balance sheet of Northwest Academic Computing Consortium, Inc. (Predecessor Company) as of June 30, 1995 and the related statements of operations, fund balance and cash flows for the year ended June 30, 1995

and the six months ended December 31, 1995. 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 audit 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 NorthWestNet, Inc. as of June 30, 1996, and the results of its operations and its cash flows for the six months ended June 30, 1996, and the eight months ended February 28, 1997 and the financial position of Northwest Academic Computing Consortium, Inc. as of June 30, 1995 and the results of its operations and its cash flows for the year ended June 30, 1995 and the six months ended December 31, 1995, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP Seattle, Washington January 31, 1998

Northwestnet, Inc.

Balance Sheets

Assets

	PREDECESSOR COMPANY JUNE 30, 1995	NORTHWESTNET, INC. JUNE 30, 1996
Cash and cash equivalents	$ 563,952	277,284
Accounts receivable, net	842,753	1,243,981
Prepaids and other assets	29,605	32,505
Total current assets	1,436,310	1,553,770
Equipment, furniture and leasehold improvements, net	1,246,180	1,613,981
Deferred income taxes	--	46,000
Total assets	$2,682,490	3,213,751

Liabilities, Stockholders' Equity and Fund Balance

Accounts payable	$ 108,297	165,606
Accrued liabilities	102,010	340,677
Deferred revenues and customer advances	965,589	1,374,708
Total current liabilities	1,175,896	1,880,991
Stockholders' equity:		

Common stock, $.01 par value. Authorized 10,000,000 shares; issued and outstanding 4,000,000 shares and 4,000,100 shares at June 30, 1995 and June 30, 1996, respectively	--	40,000
Additional paid-in capital	--	1,193,402
Retained earnings	--	99,358
Total stockholders' equity	--	1,332,760
Fund balance	1,506,594	--
Total liabilities and stockholders' equity	$2,682,490	3,213,751

See accompanying notes to financial statements.

Northwestnet, Inc.

Statements of Operations

	PREDECESSOR COMPANY		NORTHWESTNET, INC.	
	YEAR ENDED JUNE 30, 1995	SIX MONTHS ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996	EIGHT MONTHS ENDED FEBRUARY 28, 1997
Revenue:				
Internet access and connection fees	$2,218,354	1,197,690	1,655,211	2,572,917
Online information service fees	430,031	310,430	380,522	976,404
Grants	10,000	146,734	78,342	85,795
Other	117,835	15,407	16,949	47,019
Total revenue	2,776,220	1,670,261	2,131,024	3,682,135
Operating expenses:				
Salaries and employee benefits	1,145,224	770,215	886,958	2,728,589
Network operations and circuits	225,570	356,711	320,396	547,031
Professional fees	254,982	126,789	39,307	61,047
Marketing and advertising	55,222	32,460	66,209	114,544
General and administrative	624,314	309,961	364,418	673,541
Depreciation and amortization	507,693	248,770	311,261	509,122
Total operating expenses	2,813,005	1,844,906	1,988,549	4,633,874
Operating income (loss)	(36,785)	(174,645)	142,475	(951,739)
Interest income	46,108	25,639	15,883	25,083
Earnings (loss) before income taxes	9,323	(149,006)	158,358	(926,656)
Income tax expense (benefit)	--	--	59,000	(135,000)
Net earnings (loss)	$ 9,323	(149,006)	99,358	(791,656)

See accompanying notes to financial statements.

Northwestnet, Inc.

Statements of Stockholders' Equity and Fund Balance

	FUND BALANCE	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL STOCKHOLDERS' EQUITY

BALANCES AT JUNE 30, 1994.....	$ 1,497,271	--	--	--	--
Net earnings.....	9,323	--	--	--	--
BALANCES AT JUNE 30, 1995.....	1,506,594	--	--	--	--
Net loss for the six months ended December 31, 1995.....	(149,006)	--	--	--	--
Distribution to stockholder.....	(124,186)	--	--	--	--
BALANCES AT DECEMBER 31, 1995.....	1,233,402	--	--	--	--
Issuance of common stock to effect corporate reorganization.....	(1,233,402)	40,000	1,193,402	--	1,233,402
Net earnings for the six months ended June 30, 1996.....	--	--	--	99,358	99,358
BALANCES AT JUNE 30, 1996.....	--	40,000	1,193,402	99,358	1,332,760
Exercise of stock options.....	--	1	86	--	87
Contingent stock compensation expense...	--	--	451,696	--	451,696
Net loss for the eight months ended February 28, 1997.....	--	--	--	(791,656)	(791,656)
BALANCES AT FEBRUARY 28, 1997.....	$ --	40,001	1,645,184	(692,298)	992,887

See accompanying notes to financial statements.

Northwestnet, Inc.

Statements of Cash Flows June 30, 1995 and 1996 and December 31, 1996

	PREDECESSOR COMPANY		NORTHWESTNET, INC.	
	YEAR ENDED JUNE 30, 1995	SIX MONTHS ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996	EIGHT MONTHS ENDED FEBRUARY 28, 1997
Cash flows from operating activities:				
Net earnings (loss).....	$ 9,323	(149,006)	99,358	(791,656)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Depreciation and amortization.....	507,693	248,770	311,261	509,122
Contingent stock option compensation.....	--	--	--	451,696
Loss on disposition of equipment...	--	--	--	10,526
Deferred tax benefit.....	--	--	(46,000)	(74,000)
Increases and decreases in:				
Accounts receivable.....	(272,151)	418,635	(819,863)	624,707
Prepaids and other assets.....	(18,841)	(28,347)	25,447	(1,396,570)
Accounts payable.....	(73,064)	(48,302)	(37,056)	304,296
Accrued liabilities.....	(9,079)	110,275	128,392	1,069,605
Deferred revenue.....	331,904	76,759	332,360	(599,775)
Net cash provided by (used in) operating activities.....	475,785	628,784	(6,101)	107,951
Cash flows from investing activities:				
Purchase of equipment, furniture and leasehold improvements.....	(760,922)	(260,850)	(524,315)	(1,047,283)
Disposition of equipment.....	--	--	--	22,678
Net cash used in investing activities.....	(760,922)	(260,850)	(524,315)	(1,024,605)
Cash flows from financing activities:				
Advances from Verio, Inc.	--	--	--	2,560,294
Distribution to stockholder.....	--	--	(124,186)	--

Exercise of stock options.....	--	--	--	87
Net cash provided by (used in) financing activities.....	--	--	(124,186)	2,560,381
Increase (decrease) in cash and cash equivalents.....	(285,137)	367,934	(654,602)	1,643,727
Cash and cash equivalents at beginning of period.....	849,089	563,952	931,886	277,284
Cash and cash equivalents at end of period.....	$ 563,952	931,886	277,284	1,921,011
Supplemental disclosures of cash flow information -- cash paid during the period for income taxes.....	$ 900	--	82,000	118,000
Supplemental schedule of noncash financing and investing activities:				
Accounts payable related to purchase of equipment.....	$ 15,140	13,523	129,144	--
Issuance of common stock to effect corporate reorganization.....	$ --	1,233,402	--	--

See accompanying notes to financial statements.

Northwestnet, Inc.

Notes to Financial Statements June 30, 1995 and 1996 and February 28, 1997

(1) Description of Business and Summary of Significant Accounting Policies

(a) Description of Business NorthWestNet, Inc. (NorthWestNet), a for-profit corporation incorporated in the state of Oregon, is a subsidiary of Northwest Academic Computing Consortium, Inc. (NWACC). NorthWestNet provides Internet access and related on-line information services to businesses, educational institutions and other organizations located principally in the Northwest.

(b) Corporate Reorganization NWACC, a nonprofit corporation organized to promote research, education and economic development in the Northwest, had been providing Internet access to businesses and organizations in the Northwest since 1991.

On January 1, 1996, NWACC completed a transaction that included the creation of NorthWestNet. The transaction consisted of the transfer of substantially all of NWACC's operating assets and liabilities to NorthWestNet in exchange for 4,000,000 shares of common stock, which represented all of the outstanding common stock of NorthWestNet. This transaction represented a tax-free transfer pursuant to the Internal Revenue Code (IRC) section 351. In connection with the transaction, all NWACC employees became NorthWestNet employees.

NWACC's relationship to NorthWestNet, is now that of a stockholder, currently the majority stockholder. NWACC intends to maintain its tax-exempt status under IRC section 501(c)(3); however, its activities are independent of NorthWestNet and its employees.

(c) Basis of Presentation There was no change in the carrying amounts of assets and liabilities transferred from NWACC to NorthWestNet effective January 1, 1996. The accompanying financial statements include the accounts of NWACC through December 31, 1995, presented as Predecessor Company.

The carrying amounts of net assets transferred from NWACC to NorthWestNet effective January 1, 1996 are summarized as follows:

Cash and cash equivalents	$ 807,700
Accounts receivable, net	424,118
Prepaids and other assets	57,952
Equipment, furniture and leasehold improvements, net	1,271,783
Total assets	2,561,553
Accounts payable	73,518
Accrued expenses	212,285
Deferred revenue	1,042,348
Total liabilities	1,328,151
Net assets	$1,233,402

(d) Cash Equivalents

All short-term investments with original maturities of three months or less at date of purchase are considered to be cash equivalents.

(e) Concentrations of Credit Risk Financial instruments that potentially subject NorthWestNet to concentrations of credit risk consist principally of cash equivalents and accounts receivable. NorthWestNet's cash equivalents represent investments in money market funds which are readily convertible to cash. Accounts receivable are principally from NorthWestNet's customers located throughout the Northwest.

(f) Long-Lived Assets In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of (SFAS 121). This statement was effective for financial statements for fiscal years beginning after December 15, 1995. Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The adoption of SFAS 121 effective July 1, 1996 did not have a significant effect on the NorthWestNet's financial position or results of operations.

(g) Revenue Recognition Revenues consist primarily of Internet access fees, connection fees and on-line information service fees. Internet access fees consist of fixed monthly amounts and are recognized ratably over the terms of the service contracts. Connection fees, representing customer site equipment and installation charges, are recognized upon installation of a customer's Internet connectivity. Fixed on-line information service fees are recognized ratably over the terms of the service contracts. Volume-based on-line information service fees are recognized as such services are delivered. Payments received in advance of providing services are deferred until the period such services are provided.

(h) Advertising Costs Advertising costs are expensed as incurred.

(i) Depreciation and Amortization Equipment, furniture and leasehold improvements are stated at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, or the lease term, if shorter. The estimated useful lives of the assets are as follows:

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Network equipment.....................................  3 - 4 years
Computer and office equipment.........................  2 - 3 years
Furniture and fixtures................................      7 years
Leasehold improvements................................      5 years
```

(j) Use of Estimates

NorthWestNet management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(k) Income Taxes

NorthWestNet accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts and tax bases of existing assets and liabilities.

NWACC was exempt from the payment of Federal income taxes under IRC section 501(c)(3). Therefore, no provision for income taxes was required through December 31, 1995.

(l) Stock-Based Compensation Prior to July 1, 1996, NorthWestNet accounted for its stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the

exercise price. On July 1, 1996, NorthWestNet adopted Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 allows entities to continue to apply the provisions of APB Opinion No. 25 for transactions with employees and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS No. 123 had been applied to these transactions. NorthWestNet has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

(2) Equipment, Furniture and Leasehold Improvements

Equipment, furniture and leasehold improvements and related accumulated depreciation and amortization consist of the following:

June 30 1995 1996

Network equipment	$1,645,558	1,878,787
Computer and office equipment	603,051	586,653
Furniture and fixtures	102,010	77,011
Leasehold improvements	50,301	50,301
Total cost	2,400,920	2,592,752
Less accumulated depreciation and amortization	1,154,740	978,771
	$1,246,180	1,613,981

(3) Accrued Liabilities

Accrued liabilities consist of the following:

June 30 1995 1996

Accrued compensation and benefits	$102,010	153,447
Network operations and circuits	--	129,080
Other	--	58,150
	$102,010	340,677

(4) Borrowing Agreement

NorthWestNet had a borrowing agreement with a commercial bank, which expired in June 1997, that provided for a $400,000 operating line of credit (Line of Credit) and a $600,000 equipment term loan (Term Loan). Borrowings under the Line of Credit were limited to 75% of eligible accounts receivable and bear interest at the bank's prime rate plus 1.75%. The Term Loan bore interest at the bank's prime rate plus 2%. Borrowings under this agreement were secured by substantially all of NorthWestNet's assets. There were no borrowings under the Line of Credit or Term Loan as of June 30, 1996.

(5) Income Taxes

The components of NorthWestNet's income tax expense (benefit) for the six months ended June 30, 1996 and the eight months ended February 28, 1997 are as follows:

	SIX MONTHS ENDED JUNE 30, 1996	EIGHT MONTHS ENDED FEBRUARY 28, 1997
Current:		
Federal	$100,000	(66,000)
State	5,000	5,000
Deferred -- Federal	(46,000)	(74,000)
	$ 59,000	(135,000)

Deferred income taxes result from temporary differences in the recognition of income and expense between financial statement and income tax reporting. Temporary differences at June 30, 1996 are primarily attributable to depreciation and amortization of equipment, furniture and leasehold improvements. The tax effects of these temporary differences result in deferred tax assets which are classified as noncurrent on the accompanying June 30, 1996 balance sheet. Actual tax expense for the six months ended June 30, 1996 approximates the amount calculated using the Federal statutory rate of 34%, plus the provision for state taxes. The tax benefit for the eight months ended February 28, 1997 differs from the expected benefit, calculated using the Federal statutory rate of 34%, primarily due to .

(6) Stockholders' Equity -- Employee Stock Option Plan

NorthWestNet adopted a stock option plan (Plan) in January 1996 to compensate its employees for future services and has reserved 1.5 million shares of common stock for option grants under the Plan. Of the reserved shares, 500,000 are for options which are exercisable, upon reaching defined corporate objectives (Contingent Options), at an exercise price of $.875 per share. The date the defined corporate objectives are met, any excess of fair market value per share over the exercise price per share of the outstanding options would be charged to salaries and benefits expense in the statement of operations with a corresponding increase in stockholder's equity. As of December 31, 1996, 370,000 contingent shares were outstanding. The remaining 1 million reserved shares are for options which generally vest, based on continued employment, over periods ranging from three to four years in equal monthly increments beginning the month after the grant (Noncontingent Options). All options expire ten years from the date of grant and are exercisable at the fair market value of the common stock at the grant date.

A summary of stock option activity under the Plan follows:

		OUTSTANDING OPTIONS		
	SHARES AVAILABLE FOR GRANT	NON-CONTINGENT	CONTINGENT	WEIGHTED-AVERAGE EXERCISE PRICE
Authorization of Plan	1,500,000	--	--	$ --
Options granted	(988,000)	583,000	405,000	0.875
Options relinquished	76,771	(41,771)	(35,000)	0.875
Balances at June 30, 1996	588,771	541,229	370,000	0.875
Options granted	(54,000)	54,000	--	1.956
Options exercised	--	(100)	--	0.875
Options relinquished	3,229	(3,229)	--	0.875
Options surrendered for cash	--	(192,265)	--	0.875
Balances at February 28, 1997	538,000	399,635	370,000	$0.951

NorthWestNet applies APB Opinion No. 25 in accounting for its Plans, and no compensation cost has been recognized for its employee stock options in the financial statements. Had NorthWestNet determined compensation cost of employee stock options based on the fair value at the grant date for its stock options under SFAS No. 123, NorthWestNet's net earnings would have been reported as the pro forma amounts indicated below:

SIX MONTHS ENDED JUNE 30, 1996	EIGHT MONTHS ENDED FEBRUARY 28, 1997

Net earnings (loss):		
As reported	$99,359	(791,656)
Pro forma	26,469	(892,205)

The per share weighted-average fair value of stock options granted during the six months ended June 30, 1996 and the eight months ended February 28, 1997 was $0.28 and $0.70 respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: six months ended June 30, 1996 -- expected dividend yield 0%, risk-free interest rate of 5.51% and an expected life of 7 years; eight months ended February 28, 1997 -- expected dividend yield 0%, risk-free interest rate of 6.55%, and an expected life of 7 years.

Northwestnet, Inc.

Notes to Financial Statements -- (Continued)

The following table summarizes information about stock options outstanding under the Plan at June 30, 1996 and February 28, 1997:

	OPTIONS OUTSTANDING	
EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE
June 30, 1996:		
$0.875	911,229	9.5 years
February 28, 1997:		
$0.875	715,635	
1.375	6,000	
2.000	34,500	
$2.10	13,500	
$0.875-2.000	769,635	9.5 years

All options became vested and exercisable upon completion of the ownership change described in note 10.

(7) Leases

NorthWestNet leases its office and certain network operations facilities under operating leases which expire in 2002. NorthWestNet subleases a portion of its office space as sublessor under operating leases which expire in 1996 and 1997. Rental expense, net of sublease income, is included in general and administrative expenses and is comprised of the following:

	MINIMUM RENTALS	SUBLEASE INCOME	TOTAL
Year ended June 30, 1995	$142,318	34,665	107,653
Six months ended December 31, 1995	88,960	28,623	60,337
Six months ended June 30, 1996	88,795	24,423	64,372
Eight months ended February 28, 1997	119,696	25,455	94,241

NorthWestNet leases circuit lines from various vendors under month-to-month operating leases. Rent expense on these circuit line leases amounted to $225,570, $316,712, $270,395, and $413,697 for fiscal year ended 1995, the six months ended December 31, 1995 and June 30, 1996, and the eight months ended February 28, 1997, respectively, and is included in network operations and circuits in the statements of operations.

In November 1996, NorthWestNet amended its existing operating lease for its office facilities. The amendment increased the space leased by NorthWestNet by approximately 9,000 square feet, beginning in February 1997, and extended the lease term of existing space to February 2002. Additionally, in December 1996, NorthWestNet entered into an operating lease for network operations facilities. The initial term of the lease is five years, beginning in March 1997, with two three-year extensions available at NorthWestNet's option.

(8) Defined Contribution Plan

NorthWestNet and NWACC both sponsor defined contribution plans. For the NorthWestNet plan, employees who have worked a minimum of three months and attained age 20 are eligible to participate and employee contributions are matched by NorthWestNet up to certain limits. Sponsor contributions to the plans

totaled $35,765, $17,589, $26,781, and $68,855 for the year ended June 30, 1995 and the six months ended December 31, 1995 and June 30, 1996, and the eight months ended February 28, 1997, respectively.

(9) Business Concentration

One customer accounted for approximately 25%, 23%, 27%, and 23% of revenues for the year ended June 30, 1995, the six months ended December 31, 1995 and June 30, 1996, and the eight months ended February 28, 1997, respectively. Such customer had account receivable balance of $227,662 at June 30, 1996.

Additionally, another customer accounted for approximately 14% of revenues for the eight months ended February 28, 1997.

(10) Ownership Change

On January 22, 1997, NorthWestNet, NWACC and Verio Inc. (Verio) executed a Stock Purchase Agreement (Agreement) pursuant to which Verio acquired all of the common stock of NorthWestNet owned by NWACC. Under the Agreement, Verio also agreed to contribute at least $3.4 million to NorthWestNet, of which approximately $2.3 million was funded in February 1997. The transaction closed on February 28, 1997.

In connection with the sale to Verio, 370,000 contingent options became exercisable and $451,696 of compensation expense was recorded by NorthWestNet in February 1997 which was funded by Verio in addition to the $3.4 million. (See note 6). In addition, the Plan was amended to provide for Verio's right to acquire all of the securities outstanding under that plan.

Independent Auditors' Report

The Board of Directors Verio Inc.:

We have audited the accompanying balance sheet of Aimnet Corporation (wholly-owned by Aimquest Corporation) as of March 31, 1997 and the related statements of operations, stockholder's equity, and cash flows for the year ended March 31, 1997 and the period ended May 19, 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 audit 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 Aimnet Corporation as of March 31, 1997, and the results of its operations and its cash flows for the year ended March 31, 1997 and the period ended May 19, 1997 in conformity with generally accepted accounting principles.

Denver, Colorado February 25, 1998

Aimnet Corporation (Wholly-owned by Aimquest Corporation)

Balance Sheet March 31, 1997

Assets

Current assets:	
Cash	$ 201,074
Trade receivables, net of allowance for doubtful accounts of $52,770	460,611
Inventory	39,344
Prepaid expenses and other	44,867
Total current assets	745,896
Equipment, net (note 2)	880,224
Total assets	$ 1,626,120
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current Liabilities:	
Accounts payable	$ 141,680
Accrued expenses	31,260
Deferred revenue	19,251
Due to parent (note 3)	514,122
Current portion of obligations under capital lease obligations (note 4)	8,153
Total current liabilities	714,466
Capital lease obligations, less current portion (note 4)	17,409
Total liabilities	731,875
Stockholder's equity (note 6):	
Common stock, no par value, 1,000 shares authorized, 100 shares issued and outstanding	2,307,640
Accumulated deficit	(1,413,395)
Total stockholder's equity	894,245
Commitments (note 4)	
Total liabilities and stockholder's equity	$ 1,626,120

See accompanying notes to financial statements.

Aimnet Corporation (Wholly-owned by Aimquest Corporation)

Statement of Operations Year Ended March 31, 1997 and Period Ended May 19, 1997

PERIOD ENDED MAY 19, 1997 1997

Revenue:		
Internet services	$ 2,649,839	303,600
Other (note 3)	215,279	87,788
Total revenue	2,865,118	391,388
Operating expenses:		

Internet services and other operating costs	1,225,329	124,275
Selling, general and administrative	2,524,253	437,292
Depreciation	528,931	94,801
Total operating expenses	4,278,513	656,368
Net loss	$(1,413,395)	(264,980)

See accompanying notes to financial statements.

Aimnet Corporation (Wholly-owned by Aimquest Corporation)

Statement of Stockholder's Equity Year Ended March 31, 1997 and Period Ended May 19, 1997

	COMMON STOCK	INTERCOMPANY ACCOUNT WITH PARENT	ACCUMULATED DEFICIT	TOTAL
Balance as of March 31, 1996	$ --	1,592,490	--	1,592,490
Incorporation as wholly owned subsidiary and additional capital contribution by parent	2,307,640	(1,592,490)	--	715,150
Net loss	--	--	(1,413,395)	(1,413,395)
Balances as of March 31, 1997	$2,307,640	--	(1,413,395)	894,245
Net loss	--	--	(264,980)	(264,980)
Balances as of May 19, 1997	$2,307,640	--	(1,678,375)	629,265

See accompanying notes to financial statements.

Aimnet Corporation (Wholly-owned by Aimquest Corporation)

Statement of Cash Flows Year Ended March 31, 1997 and Period Ended May 19, 1997

Period Ended 1997 May 19, 1997

Cash flows from operating activities:		
Net loss	$(1,413,395)	(264,980)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	528,931	94,801
Provision for bad debts	425,295	--
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	(375,042)	40,670
Decrease (increase) in inventory	(5,423)	13,107
Decrease in prepaid expenses and other	7,047	4,416
Decrease in accounts payable	(44,692)	(7,459)

Increase (decrease) in accrued expenses.....	(15,248)	18,522
Increase (decrease) in deferred revenue.....	10,968	(5,171)
Net cash used by operating activities.....	(881,559)	(106,094)
Cash flows from investing activities -- purchases of equipment.....	(320,809)	(54,458)
Cash flows from financing activities:		
Cash capital contribution by parent.....	715,150	--
Increase in due to related party.....	514,122	55,264
Principal payments on capital lease obligations.....	(3,255)	(1,548)
Net cash provided by financing activities.....	1,226,017	53,716
Increase (decrease) in cash.....	23,649	(106,836)
Cash, beginning of period.....	177,425	201,074
Cash, end of period.....	$201,074	94,238
Noncash investing and financing activities --		
Equipment acquired through capital lease obligations.....	$28,817	--

See accompanying notes to financial statements.

Aimnet Corporation (Wholly-owned by Aimquest Corporation)

Notes to Financial Statements March 31, 1997

(1) Summary of Significant Accounting Policies

Organization and Basis of Presentation Aimnet Corporation (the Company) was incorporated in the State of California on September 26, 1996 as a wholly owned subsidiary of Aimquest Corporation (Aimquest). Prior to incorporation, the Company's assets, liabilities, and operations were included in the financial statements of Aimquest. The Company provides regional internet access services, and hardware and software sales to customers in California. The accompanying financial statements include the operations of the Company assuming that the Company had been operated separately as of April 1, 1996 and thereafter.

Effective May 19, 1997, Verio Inc. acquired a 55% ownership interest in the Company (see note 6).

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 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.

Revenue Recognition

Internet services are recognized as the services are provided. The Company records deferred revenue for amounts billed and/or collected in advance. Revenue from hardware and software sales is recognized upon shipment of the respective products.

Inventory

Inventory, consisting of systems hardware and software and maintenance parts and supplies is recorded at the lower of cost (first-in, first-out) or market.

Equipment

Equipment, including assets held under capital leases, is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is recorded using the straight-line method over the shorter of the estimated useful lives of the related assets or the lease term, which are two or three years. Costs for normal repairs and maintenance are expensed as incurred.

Income Taxes

The Company is included in the tax returns of Aimquest. Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109). Under SFAS 109, deferred income taxes are recognized for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

No tax benefit has been allocated to the Company due to the Company's net loss and the uncertainty regarding the ultimate utilization of such loss in the consolidated income tax returns of Aimquest. A valuation allowance has been recorded for the entire balance of the deferred tax asset related to the Company's net loss.

Concentration of Credit Risk and Financial Instruments Statement of Financial Accounting Standards No. 107 requires disclosure about fair value for all financial instruments whether or not recognized for financial statement purposes. Management estimates that the fair value of all financial instruments as of March 31, 1997 approximates their carrying value based on their terms and interest rates. The use of different market assumptions and/or estimation methodologies may have a significant effect on the estimated fair values.

Customers who operate in California represent substantially all of the Company's customer base and accounts receivable. However, no single customer comprised more than 5% of accounts receivable or total revenue as of or for the year ended March 31, 1997 or the period ended May 19, 1997.

Long-Lived Assets

In March 1995, the Financial Accounting Standards Board issued 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 121). This statement was effective for financial statements for fiscal years beginning after December 15, 1995. Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. The adoption of SFAS 121 effective April 1, 1996 did not have a significant effect on the Company's financial position or results of operations.

(2) Equipment

Equipment consisted of the following at March 31, 1997:

Internet and computer equipment	$1,712,000
Furniture	29,144
	1,741,144
Less accumulated depreciation	(860,920)
	$ 880,224

Equipment includes assets owned under capital leases with a net book value of $25,562 at March 31, 1997.

(3) Related Party Transactions

The Company provides internet services to Aimquest which totaled $5,924 for the year ended March 31, 1997 and $20,386 for the period ended May 19, 1997.

Amounts due to parent represent cash transfers from Aimquest which are noninterest bearing.

Aimnet Corporation (Wholly-owned by Aimquest Corporation)

Notes to Financial Statements -- (Continued)

(4) Commitments and Contingencies

Leases

The Company leases certain computer and office equipment under capital leases. The Company also leases office space under noncancelable operating leases expiring at various dates through 2001. Future minimum annual lease payments under capital and noncancelable operating leases for each of the years ending March 31 are as follows:

	CAPITAL LEASES	OPERATING LEASES
1998	$12,396	327,146
1999	12,396	283,916
2000	8,780	279,810
2001	--	109,488
Less future minimum payments to be received under noncancelable subleases	--	(31,059)
Total minimum payments	33,572	969,301
Less amount representing interest	(8,010)	
Present value of net minimum lease payments	25,562	
Less current portion	(8,153)	
	$17,409	

Rent expense for the year ended March 31, 1997 and the period ended May 19, 1997 totaled $314,890 and $38,203, respectively.

(5) Employee Benefit Plan

Aimquest has a 401(k) (the Plan) covering all employees of the Company who meet certain eligibility requirements. Employer contributions are not required and the Company did not make any contributions to the Plan during the year ended March 31, 1997 or the period ended May 19, 1997.

(6) Subsequent Event

Effective May 19, 1997, Verio Inc. (Verio) acquired 77 shares of the Company's series A preferred stock for cash consideration of approximately $4,171,000. The preferred shares represent a 55% ownership interest in the Company, on a fully diluted basis, and are convertible into common shares on a one for one basis. In addition, the preferred shares have a liquidation preference equal to the issuance price. Verio also acquired an option to acquire a 100% ownership in the Company in the future upon the occurrence of certain events, including an initial public offering of Verio common stock.

Independent Auditors' Report

The Board of Directors Verio Inc.:

We have audited the accompanying balance sheet of Clark Internet Services, Inc. as of September 30, 1997, and the related statements of operations and retained earnings, and cash flows for the year ended September 30, 1997 and the period ended October 17, 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 audit 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 Clark Internet Services, Inc. as of September 30, 1997, and the results of its operations and its cash flows for the year ended September 30, 1997 and the period ended October 17, 1997 in conformity with generally accepted accounting principles.

Denver, Colorado February 25, 1998

Clark Internet Services, Inc.

Balance Sheet September 30, 1997

Assets

Current assets:	
Cash and cash equivalents	$ 54,293
Trade accounts receivable, net of allowance for doubtful accounts of $28,154	438,186
Related party receivable (note 5)	42,104
Prepaid expenses and other	122,894
Total current assets	657,477
Equipment, net (note 2)	650,001
Other assets, net	112,475
Total assets	$1,419,953

Liabilities and Stockholders' Equity

Current liabilities:	
Accounts payable	$ 261,194
Accrued liabilities	91,474
Salaries and commissions payable	98,220
Deferred revenue and customer advances	514,555
Current portion of long-term debt (note 3)	175,800
Total current liabilities	1,141,243
Long-term debt, net of current portion (note 3)	264,950
Total liabilities	1,406,193
Stockholders' equity:	
Common stock, no par value, 1,000,000 shares authorized, 860,000 shares issued and outstanding	4,000
Retained earnings	9,760
Total stockholders' equity	13,760

Commitments (note 4)	
Total liabilities and stockholders' equity.....	$1,419,953

See accompanying notes to financial statements.

Clark Internet Services, Inc.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS YEAR ENDED SEPTEMBER 30, 1997 AND PERIOD ENDED OCTOBER 17, 1997 PERIOD ENDED OCTOBER 17, 1997 1997

Revenue:		
Internet services.....	$3,601,491	159,079
Other.....	114,193	48,917
Total revenue.....	3,715,684	207,996
Operating expenses:		
Internet services.....	1,672,046	48,346
Selling, general and administrative.....	2,053,619	195,610
Depreciation and amortization.....	139,379	9,547
Total operating expenses.....	3,865,044	253,503
Loss from operations.....	(149,360)	(45,507)
Other income (expense):		
Interest income.....	2,702	(1,054)
Interest expense.....	(26,929)	--
Net loss.....	(173,587)	(46,561)
Retained earnings (deficit):		
Beginning of period.....	183,347	9,760
End of period.....	$ 9,760	(36,801)

See accompanying notes to financial statements.

Clark Internet Services, Inc.

Statements of Cash Flows Year Ended September 30, 1997 and Period Ended October 17, 1997

Period Ended 1997 October 17, 1997

Cash flows from operating activities:		
Net loss.....	$(173,587)	(46,561)
Adjustments to reconcile net loss to net cash provided by operating activities -- depreciation and amortization.....	139,379	9,547
Changes in operating assets and liabilities:		
Trade and related party accounts receivable, net.....	(362,396)	2,483
Prepaid expenses and other.....	(19,671)	32,793
Accounts payable.....	157,360	(78,954)
Accrued liabilities, and salaries and commissions payable.....	92,849	30,677
Deferred revenue and customer advances.....	245,114	30,809
Other assets, net.....	(61,263)	12,179
Net cash provided (used) by operating activities.....	17,785	(7,027)
Cash flows used by investing activities --		

purchases of equipment	(425,477)	--
Cash flows used by financing activities:		
Proceeds from bank lines of credit	90,000	--
Proceeds from bank loan	375,000	--
Repayment of bank loan	(51,929)	--
Net cash provided by financing activities	413,071	--
Net increase (decrease) in cash and cash equivalents	5,379	(7,027)
Cash and cash equivalents, at beginning of period	48,914	54,293
Cash and cash equivalents, at end of period	$ 54,293	47,266
Supplemental disclosures of cash flow information --		
cash paid during year for interest	$ 26,929	1,053

See accompanying notes to financial statements.

Clark Internet Services, Inc.

Notes to Financial Statements September 30, 1997

(1) Summary of Significant Accounting Policies

Organization and Basis of Presentation Clark Internet Services, Inc. (the Company) is a provider of internet access services to businesses and individuals, primarily in the Maryland, Washington DC, and Northern Virginia regions.

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 revenues and expenses during the reporting period. Actual results may differ from those estimates.

Effective October 17, 1997, Verio Inc. acquired 51% of the outstanding common stock of the Company.

Cash and Cash Equivalents The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Equipment

Equipment is recorded at cost. Depreciation is provided over the estimated useful lives of the assets ranging from 3 to 5 years using the straight-line method.

Long-Lived Assets

The Company evaluates the carrying value of its long-lived assets under the provisions of Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (Statement No. 121). Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations, including goodwill, when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are impaired, the impairment to be

recognized is measured by the amounts by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value, less costs to sell.

Revenue Recognition

Internet services revenue is recognized as the services are provided. Installation charges and set-up fees are recognized when installation is completed. The Company records deferred revenue for accounts billed and/or collected in advance.

Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

At December 31, 1997, the Company has a net operating loss carryforward for federal income tax purposes of $235,000 which is available to offset future federal taxable income, if any, through 2012. Due to the uncertainty regarding the ultimate utilization of the net operating loss carryforward a valuation allowance

has been recorded for the full amount of the deferred tax asset related to the net operating loss carryforward, which represents the only significant temporary difference as of September 30, 1997.

Concentration of Credit Risk and Financial Instruments Statement of Financial Accounting Standards No. 107 requires disclosure about fair value for all financial instruments whether or not recognized for financial statements purposes. Management estimates that the fair value of all financial instruments as of September 30, 1997 approximates their carrying value based on their terms and interest rates. The use of different market assumptions and/or estimation methodologies may have a significant effect on the estimated fair values.

(2) Equipment

Equipment consisted of the following at September 30, 1997:

Furniture and fixtures	$ 337,163
Computer and equipment	656,496

	993,659
Less accumulated depreciation	(343,658)
	$ 650,001

Depreciation expense for the year ended September 30, 1997 and the period ended October 17, 1997 totaled $138,054 and $9,547, respectively.

(3) Bank Line of Credit and Notes Payable

In April 1997, the Company entered into a $200,000 line of credit agreement with a bank, with interest at the prime rate plus 1.5% (10.0% at September 30, 1997). Borrowings under the line of credit are due in April 1998.

In addition, the Company also borrowed $375,000 from a bank under a loan secured by the Small Business Administration with interest at the prime rate plus 2% (10.5% at September 30, 1997). Monthly principal payments of $6,250 are due through April 2002.

(4) Leases

The Company leases its facilities under long-term operating leases expiring at various dates through 2002. Future minimum lease payments consist of the following at September 30:

1998	$363,000
1999	182,155
2000	42,926
2001	25,320
2002	13,811
Total minimum lease payments	$627,212

Rent expense totaled $484,162 for the year ended September 30, 1997.

(5) Transaction with Related Party

The related party receivable at September 30, 1997 is due from an entity owned by the Company's Chief Executive Officer, for whom the Company provides general accounting and administrative services. These amounts were repaid subsequent to September 30, 1997.

Independent Auditors' Report

The Board of Directors Verio Inc.:

We have audited the accompanying balance sheets of ATMnet Corporation as of October 31, 1996 and 1997, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. 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 audit 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 ATMnet Corporation as of October 31, 1996 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Denver, Colorado December 13, 1997

Atmnet Corporation

Balance Sheets October 31, 1996 and 1997

Assets

1996 1997

Current assets:		
Cash	$ 76,037	11,739
Trade receivables, net of allowance for doubtful accounts of $30,000 and $25,981	279,871	192,726
Other receivables	13,646	--
Other	56,607	65,886
Total current assets	426,161	270,351
Equipment and leasehold improvements, net (note 2)	1,404,863	1,120,396
Investment in affiliate (note 3)	87,500	--
Intangible assets, net of accumulated amortization of $99,758 and $52,952	181,081	134,273
Total assets	$ 2,099,605	1,525,020

Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable	$ 1,736,880	2,738,070
Accrued liabilities	162,381	589,794
Due to related parties (note 6)	16,235	41,209
Deferred revenue	176,481	115,393
Subordinated notes payable to stockholders and related parties (note 4)	--	908,979
Current portion of capital lease obligations (note 7)	140,223	150,134
Total current liabilities	2,232,200	4,543,579
Capital lease obligations, less current portion	164,514	14,379
Total liabilities	2,396,714	4,557,958

Stockholders' deficit (note 5):		
Common stock, no par value, 83,000,000 shares authorized; 29,100,000 shares issued and outstanding	1,158,532	1,158,532
Accumulated deficit	(1,455,641)	(4,191,470)
Total stockholders' deficit	(297,109)	(3,032,938)
Commitments (note 7)		
Total liabilities and stockholders' deficit	$ 2,099,605	1,525,020

See accompanying notes to financial statements.

Atmnet Corporation

Statements of Operations Years Ended October 31, 1996 and 1997

1996 1997

Revenue:		
Internet services (note 6)	$ 1,236,478	$ 2,730,732
Equipment sales	440,315	513,941
Total revenue	1,676,793	3,244,673
Operating expenses:		
Cost of internet services	845,465	1,963,858
Cost of equipment sold	258,517	381,043
Other operating expenses	645,710	721,012
Selling, general and administrative	957,253	1,927,589
Depreciation and amortization	343,682	649,510
Interest expense	36,203	167,864
Other	21,000	169,626
Net loss	$(1,431,037)	$(2,735,829)

See accompanying notes to financial statements.

Atmnet Corporation

Statements of Stockholders' Deficit Years Ended October 31, 1996 and 1997

	COMMON STOCK	ACCUMULATED DEFICIT	TOTAL
BALANCE AS OF NOVEMBER 1, 1995	$ 458,200	$ (24,604)	$ 433,596
Issuance of common stock for cash	700,332	--	700,332
Net loss	--	(1,431,037)	(1,431,037)
BALANCES AS OF OCTOBER 31, 1996	1,158,532	(1,455,641)	(297,109)
Net loss	--	(2,735,829)	(2,735,829)
BALANCES AS OF OCTOBER 31, 1997	$1,158,532	$(4,191,470)	$(3,032,938)

See accompanying notes to financial statements.

Atmnet Corporation

Statements of Cash Flows Years Ended October 31, 1996 and 1997

	1996	1997
Cash flows from operating activities:		
Net loss	$(1,431,037)	$(2,735,829)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	343,682	649,510
Provision for doubtful accounts	62,000	58,686
Loss on write-off of investment	--	87,500
Changes in operating assets and liabilities:		
Trade receivables	(302,792)	28,459
Other receivables	46,354	13,646
Other current assets	(51,943)	(9,279)
Accounts payable	1,710,981	1,001,190
Accrued liabilities and due to related parties	172,852	452,387
Deferred revenue	171,898	(61,088)
Net cash provided (used) by operating activities	721,995	(514,818)
Cash flows from investing activities:		
Purchase of equipment and leasehold improvements	(1,235,719)	(318,235)
Investment in affiliates, at cost	(87,500)	--
Net cash used by investing activities	(1,323,219)	(318,235)
Cash flows from financing activities:		
Proceeds from issuance of subordinated debt	--	1,018,979
Proceeds from issuance of common stock	700,332	--
Principal payments on subordinated debt	--	(110,000)
Principal payments on capital lease obligations	(114,166)	(140,224)
Net cash provided by financing activities	586,166	768,755
Net decrease in cash	(15,058)	(64,298)
Cash, beginning of year	91,095	76,037
Cash, end of year	$ 76,037	$ 11,739
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 36,203	$ 25,765
Noncash investing and financing activities -- equipment acquired through capital lease obligations	$ 345,046	$ --

See accompanying notes to financial statements.

Atmnet Corporation

Notes to Financial Statements October 31, 1996 and 1997

(1) Summary of Significant Accounting Policies

Organization and Basis of Presentation ATMnet Corporation (the Company) was incorporated in the State of California on February 26, 1997. The Company provides regional internet access services, and hardware sales to customers mainly in California.

Effective November 5, 1997, Verio Inc. acquired substantially all of the net assets of the Company.

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 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.

Revenue Recognition

Internet services are recognized as the services are provided. The Company records deferred revenue for amounts billed and/or collected in advance. Revenue from hardware sales is recognized upon shipment of the respective products.

Equipment and Leasehold Improvements Equipment and leasehold improvements, including assets held under capital leases, is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is recorded using the straight-line method over the shorter of the estimated useful lives of the related assets or the lease term, which are two or three years. Costs for normal repairs and maintenance are expensed as incurred.

Investment in Affiliates Investment in affiliate represents common stock of an affiliate representing less than a 20% ownership interest which is accounted for using the cost method.

Intangible Assets

The excess of cost over the fair value of net assets acquired, or goodwill, and organization costs are amortized using the straight-line method over five years.

Income Taxes

Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). Under SFAS 109, deferred income taxes are recognized for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory rates

applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company has a net operating loss carryforward for income tax purposes of approximately $3,883,000 which expires in 2012. No tax benefit has been recorded by the Company in fiscal 1996 and 1997 due to the Company's net loss and the uncertainty regarding the ultimate utilization of such loss carryforward. A valuation allowance has been recorded for the entire balance of the deferred tax asset related to the carryforward. Other temporary differences between financial statement and income tax bases of assets and liabilities are not significant.

Concentration of Credit Risk and Financial Instruments Statement of Financial Accounting Standards No. 107 requires disclosure about fair value for all financial instruments whether or not recognized for financial statement purposes. Management estimates that the fair value of all financial instruments as of October 31, 1997 and 1996 approximates their carrying value based on their terms and interest rates. The use of different market assumptions and/or estimation methodologies may have a significant effect on the estimated fair values.

Customers who operate in California represent substantially all of the Company's customer base and accounts receivable. However, no single customer comprised more than 5% of accounts receivable or total revenue as of or for the year ended October 31, 1997 or 1996.

Long-Lived Assets

The Company accounts for long-lived assets under the provisions of 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 121). Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Stock-Based Compensation The Company applies APB Opinion 25 and related interpretations in accounting for its stock compensation plan. Accordingly, since the Company grants stock options with exercise prices equal to fair value at the date of grant, no compensation expense has been recognized in 1996 or 1997. Under Statement of Financial Accounting Standards No. 123, Accounting for Stock-

Based Compensation (SFAS 123), entities are permitted to adopt the fair value method of accounting for employee stock-based compensation plans. However, SFAS 123 allows an entity to continue using the intrinsic value method under APB Opinion No. 25, but requires the entity to make pro forma disclosures of net income or loss as if the fair value method of accounting had been applied.

(2) Equipment and Leasehold Improvements

Equipment consisted of the following at October 31, 1996 and 1997:

1996 1997

Internet and computer equipment	$1,613,305	1,786,575
Furniture and fixtures	77,668	133,730
Leasehold improvements	12,080	100,983
	1,703,053	2,021,288
Less accumulated depreciation	(298,190)	(900,892)
	$1,404,863	1,120,396

Equipment and leasehold improvements includes assets owned under capital leases with a net book value of $195,294 and $333,079 at October 31, 1996 and 1997, respectively.

(3) Investment in Affiliate

During fiscal 1996, the Company acquired a 10% interest in Turpike Corporation for a purchase price of $87,500. The investment was written off in fiscal 1997.

(4) Subordinated Notes Payable

Subordinated notes payable as of October 31, 1997 consists of notes payable to stockholders and related parties, with interest at rates varying from prime plus 2% (10.5% at October 31, 1997) to 18%, due in June 1998. The notes are subordinate to all other senior indebtedness of the Company. Interest expense related to the subordinated notes totaled $104,130 in 1997.

(5) Stock Compensation Plans

The Company established a Stock Option Plan in March 1996, whereby. at the discretion of the Board of Directors (the Board), the Company may grant stock options to certain key employees of the Company. The option price is determined by the Board at the time the option is granted, but in no event is less than the fair market value of the Company's common stock at the date of grant, as determined by the Board. The options vest over a five year period or, in certain circumstances, earlier based on the fair value of the Company's common shares, as defined, and expire ten years from the date of grant. As of October 31, 1997, no options had been exercised or are exercisable. The weighted-average contractual life of outstanding options as of October 31, 1997 is approximately two years.

The following table summarizes option activity for two years ended October 31, 1997:

Options granted during fiscal 1996 at the following exercise price:

Options granted during fiscal 1996 at the following exercise price:	
$0.30 per share	4,410,000
$0.33 per share	1,000,000
Options outstanding at October 31, 1996	5,410,000
Options cancelled	(1,545,000)
Options outstanding at October 31, 1997	3,865,000
Weighted average exercise price of outstanding options	$.31

During the years ended October 31, 1996 and 1997, the per share weighted-average fair value of stock options granted was $.03 on the date of grant using the Black-Scholes opinion-pricing model with the following weighted-average assumptions; no dividends or volatility, risk-free interest rate of 6%, and expected life of two years. If the Company had determined compensation expense for the years ended October 31, 1996 and 1997 based on the fair value of the options at the grant dates under SFAS No. 123, net loss would increase to $1,595,000 and $2,854,000, respectively.

(6) Related Party Transactions

The Company provides internet services to a company whose founder and CEO is a shareholder of ATMnet. Revenue earned by ATMnet from this company totaled $15,523 and $22,581 during the years ended October 31, 1996 and 1997, respectively.

Amounts due to related parties are for services provided, are non-interest bearing and are due within one year.

Atmnet Corporation

Notes to Financial Statements -- (Continued) October 31, 1996 and 1997

(7) Leases

The Company leases certain computer and office equipment under capital leases. The Company also leases office space under noncancelable operating leases expiring at various dates through 2000. Future minimum annual lease payments under capital and noncancelable operating leases for each of the years ending October 31 are as follows:

	CAPITAL LEASES	OPERATING LEASES
1998	$ 161,028	173,868
1999	22,524	142,068
2000	--	26,209
Total minimum payments	183,552	342,145
Less amount representing interest	(19,039)	
Present value of net minimum lease payments	164,513	
Less current portion	(150,134)	
	$ 14,379	

Rent expense for the years ended October 31, 1996 and 1997 totaled $72,686 and $168,410, respectively.

Independent Auditors' Report

The Board of Directors Verio Inc.:

We have audited the accompanying balance sheets of Global Internet Network Services, Inc. (wholly-owned by Global Internet.Com Inc.) as of December 31, 1996 and November 26, 1997, and the related statements of operations, stockholder's equity (deficit), and cash flows for the year ended December 31, 1996 and the period ended November 26, 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 audit 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 Global Internet Network Services, Inc. as of December 31, 1996 and November 26, 1997 and, and the results of its operations and its cash flows for the year ended December 31, 1996 and the period ended November 26, 1997 in conformity with generally accepted accounting principles.

Denver, Colorado February 20, 1998

Global Internet Network Services, Inc. (Wholly-owned by Global Internet.com Inc.)

Balance Sheets December 31, 1996 and November 26, 1997

Assets

1996 1997

Current assets:		
Cash	$ 132,118	30,681
Trade receivables, net of allowance for doubtful accounts of $59,777 in 1996 and $86,166 in 1997	935,979	449,959
Receivables from affiliates (note 3)	40,497	53,542
Inventory	126,020	102,801
Prepaid expenses and other	60,869	83,323
Total current assets	1,295,483	720,306
Equipment, net (note 2)	557,142	799,179
Other assets	3,864	3,723
Total assets	$1,856,489	1,523,208

Liabilities and Stockholder's Equity (Deficit)

Current liabilities:		
Accounts payable	$ 631,660	109,651
Accrued liabilities	17,996	18,168
Deferred revenue	486,167	418,885
Current portion of obligations under capital leases (note 4)	37,828	106,720
Due to parent (note 3)	942,098	--
Total current liabilities	2,115,749	653,424
Capital lease obligations, less current portion (note 4)	31,687	193,630
Total liabilities	2,147,436	847,054
Stockholder's equity (deficit):		
Common stock, $1.00 par value, 10,000 shares authorized, 5,000 shares issued and outstanding	5,000	5,000
Additional paid-in capital	245,000	1,412,849
Accumulated deficit	(540,947)	(741,695)
Total stockholder's equity (deficit)	(290,947)	676,154
Commitments (note 4)		
Total liabilities and stockholder's equity (deficit)	$1,856,489	1,523,208

See accompanying notes to financial statements.

Global Internet Network Services, Inc. (Wholly-owned by Global Internet.com Inc.)

STATEMENTS OF OPERATIONS YEAR ENDED DECEMBER 31, 1996 AND PERIOD ENDED NOVEMBER 26, 1997 1996 1997

Revenue:		
Internet services	$1,979,201	2,501,037
Consulting services (note 3)	344,233	564,150
Computer hardware and software sales (note 3)	853,396	355,731
National Science Foundation revenue (note 7)	440,119	114,982
Other	80,401	248,816
Total revenue	3,697,350	3,784,716
Operating expenses:		
Internet services operating costs	1,530,020	1,960,653
Cost of hardware and software sales	591,227	292,874
Engineering and network	507,843	425,430
Marketing and selling	248,986	238,982
General and administrative	956,052	785,960
Depreciation and amortization	259,956	280,445
Total operating expenses	4,094,084	3,984,344
Loss from operations	(396,734)	(199,628)
Other income (expense):		
Interest expense	(9,897)	(8,229)
Other, net	43,577	7,109
Net loss	$ (363,054)	(200,748)

See accompanying notes to financial statements.

Global Internet Network Services, Inc. (Wholly-owned by Global Internet.com Inc.)

STATEMENTS OF STOCKHOLDER'S EQUITY (DEFICIT) YEAR ENDED DECEMBER 31, 1996 AND PERIOD ENDED NOVEMBER 26, 1997

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDER'S EQUITY (DEFICIT)
BALANCES AT JANUARY 1, 1996	$5,000	245,000	(177,893)	72,107
Net loss	--	--	(363,054)	(363,054)
BALANCES AT DECEMBER 31, 1996	5,000	245,000	(540,947)	(290,947)
Transfer of net assets to parent (note 6)	--	(101,088)	--	(101,088)
Conversion of note payable to parent to equity (note 6)	--	1,156,437	--	1,156,437
Capital contribution by parent (note 6)	--	112,500	--	112,500
Net loss	--	--	(200,748)	(200,748)
BALANCES AT NOVEMBER 26, 1997	$5,000	1,412,849	(741,695)	676,154

See accompanying notes to financial statements.

Global Internet Network Services, Inc. (Wholly-owned by Global Internet.com Inc.)

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 1996 AND PERIOD ENDED NOVEMBER 26, 1997 1996 1997

Cash flows from operating activities:		
Net loss	$(363,054)	(200,748)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	259,956	280,445
Provision for bad debts	70,445	95,913
Changes in operating assets and liabilities:		
Trade receivables	(231,005)	377,062
Inventory	(43,335)	23,219
Other current assets	(26,954)	(22,454)
Accounts payable	575,188	(522,009)
Accrued liabilities	(382,897)	172
Deferred revenue	58,277	(67,282)
Other	(3,241)	--
Net cash used by operating activities	(86,620)	(35,682)
Cash flows from investing activities -- purchases of equipment	(336,795)	(334,161)
Cash flows from financing activities:		
Capital contribution by parent	--	112,500
Advances by parent	544,707	214,339
Principal payments made under capital lease obligations	(39,720)	(58,433)
Net cash provided by financing activities	504,987	268,406
Increase (decrease) in cash	81,572	(101,437)
Cash, beginning of year	50,546	132,118
Cash, end of year	$ 132,118	30,681
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 10,095	15,681
Noncash investing and financing activities:		
Equipment acquired through capital lease obligations	$ --	299,940
Transfer of assets to parent	$ --	101,088

See accompanying notes to financial statements.

Global Internet Network Services, Inc. (Wholly-owned by Global Internet.com Inc.)

Notes to Financial Statements December 31, 1996 and November 26, 1997

(1) Summary of Significant Accounting Policies

Organization and Basis of Presentation Global Internet Network Services, Inc. (the Company) is engaged in providing regional internet access services, software and hardware consulting and sales to customers in a ten state region. The Company was incorporated in Nebraska in September 1987, as

Midnet Inc., a nonprofit corporation organized to promote research, education and economic development. On July 15, 1994, Midnet Inc. became a for profit corporation and was purchased by Global Internet.Com Inc. (Parent) on August 8, 1994. On March 12, 1997, the Company changed its corporate name from Midnet Inc. to Global Internet Network Services, Inc.

Effective November 26, 1997, Verio Inc. (Verio) acquired a 100% ownership interest in the Company. (see note 6).

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 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.

Revenue Recognition

Internet services are recognized as the services are provided. The Company records deferred revenue for amounts billed and/or collected in advance. Revenue from consulting services is recognized when services have been rendered. Revenue from hardware and software sales is recognized upon shipment of the respective products.

Inventory

Inventory, consisting of systems hardware and software and maintenance parts and supplies is recorded at the lower of cost (first-in, first-out) or market.

Equipment

Equipment, including any assets held under capital leases, is recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the related assets or the lease term, which range from three to five years. Costs for normal repairs and maintenance are expensed as incurred.

Income Taxes

The Company is included in the tax returns of the Parent. Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). Under SFAS 109, deferred income taxes are recognized for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company has a net operating loss carryforward of approximately $518,000, which expires in 2012. No tax benefit has been recorded by the Company for 1996 or 1997 due to the Company's net loss and the uncertainty regarding the ultimate utilization of such loss in the consolidated income tax returns of the Parent. A valuation allowance has been recorded for the entire balance of the deferred tax asset related to the

Company's net loss. Other temporary differences between financial statement and income tax bases of assets and liabilities are not significant.

Concentration of Credit Risk The Company provides unsecured credit to customers in the normal course of business. Failure of the customers to pay could result in losses up to the recorded receivable balances. The Company did not have any customers that represent greater than 5% of total revenue for the year ended December 31, 1996 and the period ended November 26, 1997, respectively.

Long-Lived Assets

In March 1995, the Financial Accounting Standards Board issued 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 121). This statement was effective for financial statements for fiscal years beginning after December 15, 1995. Statement No. 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at lower of the carrying amount or fair value less costs to sell. SFAS 121 did not have a significant effect on the Company's financial position or results of operations in 1997 and 1996.

(2) Equipment

Equipment is comprised of the following:

	DECEMBER 31, 1996	NOVEMBER 26, 1997
Internet and computer equipment	$821,921	1,342,321
Furniture and office equipment	137,847	150,254
Leasehold improvements	1,228	2,001
	960,996	1,494,576
Less accumulated depreciation and amortization	(403,854)	(695,397)
	$557,142	799,179

(3) Transactions with Parent

Amounts due to Parent represent noninterest bearing cash transfers from the Parent (see note 6).

Hardware and software sales and consulting revenue from affiliates of the Parent for the year ended December 31, 1996 and the period ended November 27, 1997 were $92,273 and $561,438, respectively.

(4) Leases

The Company leases certain internet and computer equipment under capital leases. At December 31, 1996 and November 26, 1997, leased equipment was included in internet and computer equipment with net book values of $80,117 and $367,003, respectively. The Company also leases office space under a noncancelable operating lease expiring in November 2002.

Global Internet Network Services, Inc. (Wholly-owned by Global Internet.com Inc.)

Notes to Financial Statements -- (Continued)

Future minimum annual lease payments under capital and noncancelable operating leases for years ending November 30 are as follows:

	CAPITAL LEASES	OPERATING LEASES
1998	$ 131,748	47,634
1999	116,448	50,016
2000	95,435	52,516
2001	--	55,142
2002	--	57,899
Total minimum payments	343,631	263,207
Less amount representing interest	(43,281)	
Present value of net minimum lease payments	300,350	
Less current portion	(106,720)	
	$ 193,630	

Rent expense for the year ended December 31, 1996 and the period ended November 26, 1997 was $71,738 and $63,724, respectively.

(5) Employee Benefit Plan

The Parent has a 401(k) (the Plan) covering all employees of the Company who meet certain eligibility requirements. Employer contributions are not required and the Parent did not make any contributions to the Plan during the year ended December 31, 1996 and the period ended November 26, 1997.

(6) Stockholder's Equity

In connection with the acquisition of common stock of the Company by Verio Inc. (Verio) amounts due to parent totaling $1,156,437 were converted to equity and the Parent made a cash contribution to the Company in the amount of $112,500.

Prior to the Verio acquisition in November 1997, the Company transferred certain net assets of a division to the Parent in the amount of $101,088, which division was not acquired by Verio.

(7) National Science Foundation Grants

The Company receives grant revenue under contracts with the National Science Foundation (NSF) to provide network connections to certain not-for-profit educational institutions. Grant revenue is recognized ratably over the term of the contract, which is generally twelve months. Grant revenue amounted to $440,119 and $114,982 for the year ended December 31, 1996 and the period ended November 26, 1997, respectively. Total amounts receivable at December 31, 1996 and November 26, 1997 were $65,858 and $16,439, respectively.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, IN CONNECTION WITH THE OFFER MADE HEREBY, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE AS OF WHICH INFORMATION IS GIVEN IN THIS PROSPECTUS.

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Until May , 1998 (25 days after the commencement of the offering), all dealers effecting transactions in the Common Stock, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as Underwriters and with respect to their unsold allotments or subscriptions.

Shares

Verio Inc.

COMMON STOCK [VERIO INC. LOGO] PROSPECTUS , 1998

Salomon Smith Barney

Credit Suisse First Boston

Donaldson, Lufkin & Jenrette Securities Corporation

Part Ii

Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, incurred in connection with the sale of Common Stock being registered (all amounts are estimated except the SEC registration fee, the NASD filing fee and the Nasdaq National Market listing fee).

Item Amount

SEC registration fee	$ 29,500
NASD filing fee	10,500
NASDAQ National Market listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expense	*
Transfer agent fees and expenses	*
Miscellaneous	*
Total	$ *

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers.

Reference is made to Section 145 of the General Corporation Law of the State of Delaware (the "DGCL"), which provides for indemnification of directors, officers and other employees in certain circumstances, and to Section 102(b)(7) of the DGCL, which provides for the elimination or limitation of the personal liability for monetary damages of directors under certain circumstances. Article Eight of the Certificate of Incorporation of the Company eliminates the personal liability for monetary damages of directors under certain circumstances and provides indemnification to directors and officers of the Company to the fullest extent permitted by the DGCL. Among other things, these provisions provide indemnification for officers and directors against liabilities for judgments in and settlements of lawsuits and other proceedings and for the advance and payment of fees and expenses reasonably incurred by the director or officer in defense of any such lawsuit or proceeding.

Item 15. Recent Sales of Unregistered Securities.

In June and July of 1996, the Registrant issued an aggregate of 6,033,333 shares of Series A Preferred Stock to several investors for an aggregate of $18,100,001, pursuant to a Series A Preferred Stock purchase agreement dated June 25, 1996, and Amendment No. 1 thereto, dated July 3, 1996. The transactions were exempt from registration under Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act").

In December 1996, the Registrant issued an aggregate of 10,000,000 shares of Series B Preferred Stock to several investors for an aggregate of $60,000,000, pursuant to a Series B Preferred Stock purchase agreement, dated as of December 5, 1996. The transaction was exempt from registration under Section 4(2) of the Securities Act.

In May 1997, the Registrant issued an aggregate of 2,500,000 shares of Series C Preferred Stock to several investors for an aggregate of $20,000,000, pursuant to a Series C Preferred Stock purchase agreement dated May 20, 1997. The transaction was exempt from registration under Section 4(2) of the Securities Act.

In January 1998, the Registrant issued an aggregate of 680,000 shares of Series D-1 Preferred Stock to several investors pursuant to an Agreement and Plan of Merger dated as of December 31, 1997, in connection with its acquisition of iServer. The transaction was exempt from registration under Regulation 506 of the Securities Act.

In February 1998, the Registrant issued an aggregate of 310,368 shares of Series D-1 Preferred Stock to several investors in connection with its Buyouts of Signet Partners, Inc. and Internet Engineering Associates, Inc., and the acquisition of NSNet, Inc., each pursuant to an Agreement and Plan of Reorganization. Each of these issuances was exempt from registration under Regulation 506 of the Securities Act.

In February 1998, the Registrant issued an aggregate of 689,392 shares of Series D-1 Preferred Stock to several investors in connection with its Buyouts of On-Ramp Technologies, Inc. and Clark Internet Services, Inc., each pursuant to an Agreement and Plan of Reorganization. Each of these issuances was exempt from registration under Section 4(2) of the Securities Act.

Item 16. Exhibits and Financial Statement Schedules.

Exhibits:

Exhibit No. Description

1.1* -- Form of Underwriting Agreement. 3.1 -- Restated Certificate of Incorporation of the Registrant, as amended. 3.2 -- Certificate of Amendment of Certificate of Incorporation of the Registrant. 3.3 -- Certificate of Designation Establishing Series D Preferred Stock of the Registrant. 3.4 -- Bylaws of the Registrant. 4.1* -- Specimen Stock Certificate of the Registrant. 5.1* -- Opinion of Morrison & Foerster LLP. 10.1 -- Indenture, dated as of June 24, 1997, by and among the Registrant and First Trust National Association (as trustee). 10.2 -- Warrant Agreement, dated as of June 24, 1997, by and between First Trust National Association and the Registrant. 10.3 -- Common Stock Registration Rights Agreement, dated as of June 17, 1997, by and among the Registrant, Brooks Fiber Properties, Inc., Norwest Equity Partners V, Providence Equity Partners, Centennial Fund V, L.P., Centennial Fund IV, L.P. (as investors) and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Lazard Freres & Co. LLC (collectively, the "Initial Purchasers"). 10.4 -- Registration Rights Agreement, dated as of June 17, 1997, by and among the Registrant and the Initial Purchasers. 10.5 -- Lease Agreement, dated as of June 20, 1997, by and between the Registrant and Highland Park Ventures, LLC, with respect to the property in Englewood, Colorado, including the First Amendment to Lease Agreement, dated as of December 16, 1997. 10.6 -- Lease Agreement, dated as of May 24, 1997, by and between the Registrant and IM Joint Venture, with respect to the property in Dallas, Texas, as amended. 10.7* -- Form of Indemnification Agreement between the Registrant and each of its officers and directors. 10.8 -- Amended and Restated Stockholders Agreement, dated as of May 20, 1997, by

and between the Registrant, the Series A Purchasers, the Series B Purchasers, the Series C Purchasers and members of the Registrant's management. 10.9 -- The Registrant's 1996 Stock Option Plan. 10.10 -- The Registrant's 1997 California Stock Option Plan.

Exhibit No. Description

```
10.11          -- The Registrant's 1998 Employee Stock Purchase Plan.
10.12          -- The Registrant's 1998 Stock Incentive Plan.
10.13*         -- Form of Executive Protection Agreement between the
                  Registrant and each of its executive officers.
10.14          -- Master Service Agreement, dated as of August 23, 1996, by
                  and between the Registrant and MFS Datanet, Inc.
10.15          -- Agreement for Terminal Facility Collocation Space, dated
                  August 8, 1996, by and between MFS Telecom, Inc. and the
                  Registrant.
10.16          -- Bilateral Peering Agreement, dated May 19, 1997, between
                  AT&T Corp. and the Registrant.
10.17          -- Master Lease Agreement, dated November 17, 1997, by and
                  between Insight Investments Corp. and the Registrant.
10.18          -- Master Lease Agreement, dated October 27, 1997, by and
                  between Cisco Capital Systems Corporation and the
                  Registrant.
11.1           -- Not applicable.
21.1           -- List of Subsidiaries of the Registrant.
23.1           -- Consent of KPMG Peat Marwick LLP (Denver).
23.2           -- Consent of KPMG Peat Marwick LLP (Seattle).
23.3*          -- Consent of Morrison & Foerster LLP (contained in Exhibit
                  5.1).
24.1           -- Power of Attorney (included on page II-5 hereof).
27.1           -- Financial Data Schedule.
```

* To be filed by amendment

Financial Statements and Schedule:

Financial Statements:

Financial Statements filed as a part of this Registration Statement are listed in the Index to Financial Statements on page F-1.

Financial Statement Schedules:

Schedule No. Description

II Valuation and Qualifying Accounts

Item 17. Undertakings.

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

The undersigned registrant hereby undertakes that:

For the purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

Signatures

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Englewood, Colorado on February , 1998.

Verio Inc.

By: Justin L. Jaschke Chief Executive Officer

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Justin L. Jaschke, Peter B. Fritzinger and Carla Hamre Donelson, and each of them, each with full power to act without the other, his true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for such person and in his name, place and stead, in any and all capacities, to sign any or all further amendments or supplements (including post-effective amendments filed pursuant to Rule 462(b) of the Securities Act of 1993) to this Form S-1 Registration Statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated below.

Signature Title Date

Chairman of the Board February , 1998 Steven C. Halstedt

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                                                    Chief Executive Officer and         February   ,
1998
- ----------------------------------------------------     Director
                  Justin L. Jaschke

                                                    President, Chief Operating Officer  February   ,
1998
- ----------------------------------------------------     and Director
                   Mark D. Johnson
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Director February , 1998 James C. Allen Director February , 1998 Trygve E. Myhren Director February , 1998 Paul J. Salem

Signature Title Date

Director February , 1998 Steven W. Schovee Director February , 1998 George J. Still, Jr.

Chief Financial Officer February , 1998 Peter B. Fritzinger

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                                                    Vice President of Finance and       February   ,
1998
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- ---------- Deb Mayfield Gahan	Administration (Principal Accounting Officer)

Independent Auditors' Report

The Board of Directors Verio Inc.:

Under date of February 25, 1998, we reported on the consolidated balance sheets of Verio Inc. and subsidiaries as of December 31, 1996 and 1997, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the period from inception (March 1, 1996) to December 31, 1996 and the year ended December 31, 1997, which are included in the prospectus. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Kpmg Peat Marwick Llp

Denver, Colorado February 25, 1998

Schedule Ii

Verio Inc. and Subsidiaries

Valuation and Qualifying Accounts (In Thousands)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
Period from Inception (March 1, 1996) to December 31, 1996:				
Allowance for doubtful Accounts.....	$ --	117	--	117
Year ended December 31, 1997:				
Allowance for doubtful Accounts.....	$ 117	1,116	--	1,233

Exhibit Index

Exhibits:

SEQUENTIALLY NUMBERED EXHIBIT NO. DESCRIPTION PAGES 1.1* -- Form of Underwriting Agreement. ..... 3.1 -- Restated Certificate of Incorporation of the Registrant, as amended. ..... 3.2 -- Certificate of Amendment of Certificate of Incorporation of the Registrant. ..... 3.3 -- Certificate of Designation Establishing Series D Preferred Stock of the Registrant. ..... 3.4 -- Bylaws of the Registrant. ..... 4.1* -- Specimen Stock Certificate of the Registrant. ..... 5.1* -- Opinion of Morrison & Foerster LLP. ..... 10.1 -- Indenture, dated as of June 24, 1997, by and among the Registrant and First Trust National Association (as trustee). ..... 10.2 -- Warrant Agreement, dated as of June 24, 1997, by and between First Trust National Association and the Registrant. ..... 10.3 -- Common Stock Registration Rights Agreement, dated as of June 17, 1997, by and among the Registrant, Brooks Fiber Properties, Inc., Norwest Equity Partners V, Providence Equity Partners, Centennial Fund V, L.P., Centennial Fund IV, L.P. (as investors) and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Lazard Freres & Co. LLC (collectively, the "Initial Purchasers"). ..... 10.4 -- Registration Rights Agreement, dated as of June 17, 1997, by and among the Registrant and the Initial Purchasers. ..... 10.5 -- Lease Agreement, dated as of June 20, 1997, by and between the Registrant and Highland Park Ventures, LLC, with respect to the property in Englewood, Colorado, including the First Amendment to Lease Agreement, dated as of December 16, 1997. ..... 10.6 -- Lease Agreement, dated as of May 24, 1997, by and between the Registrant and IM Joint Venture, with respect to the property in Dallas, Texas, as amended. ..... 10.7* -- Form of Indemnification Agreement between the Registrant and each of its officers and directors. ..... 10.8 -- Amended and Restated Stockholders Agreement, dated as of May 20, 1997, by and between the Registrant, the Series A Purchasers, the Series B Purchasers, the Series C Purchasers and members of the Registrant's management.... 10.9 -- The Registrant's 1996 Stock Option Plan. ..... 10.10 -- The Registrant's 1997 California Stock Option Plan. ..... 10.11 -- The Registrant's 1998 Employee Stock Purchase Plan. ..... 10.12 -- The Registrant's 1998 Stock Incentive Plan. ..... 10.13* -- Form of Executive Protection Agreement between the Registrant and each of its executive officers. .....

SEQUENTIALLY NUMBERED EXHIBIT NO. DESCRIPTION PAGES

10.14 -- Master Service Agreement, dated as of August 23, 1996, by and between the Registrant and MFS Datanet, Inc. ....

10.15 -- Agreement for Terminal Facility Collocation Space, dated August 8, 1996, by and between MFS Telecom, Inc. and the Registrant. ....

10.16 -- Bilateral Peering Agreement, dated May 19, 1997, between AT&T Corp. and the Registrant. ....

10.17 -- Master Lease Agreement, dated November 17, 1997, by and between Insight Investments Corp. and the Registrant. ...

10.18 -- Master Lease Agreement, dated October 27, 1997, by and between Cisco Capital Systems Corporation and the Registrant. ....

11.1	-- Not applicable. .....
21.1	-- List of Subsidiaries of the Registrant. .....
23.1	-- Consent of KPMG Peat Marwick LLP (Denver). .....
23.2	-- Consent of KPMG Peat Marwick LLP (Seattle). .....
23.3*	-- Consent of Morrison & Foerster LLP (contained in Exhibit 5.1). .....
24.1	-- Power of Attorney (included on page II- hereof). .....
27.1	-- Financial Data Schedule. .....

* To be filed by amendment </TEXT>