

PopMail.Com, Inc.

NASDAQ-POPM - \$0.97

www.popmail.com

www.fanasylum.com

July 28, 2000

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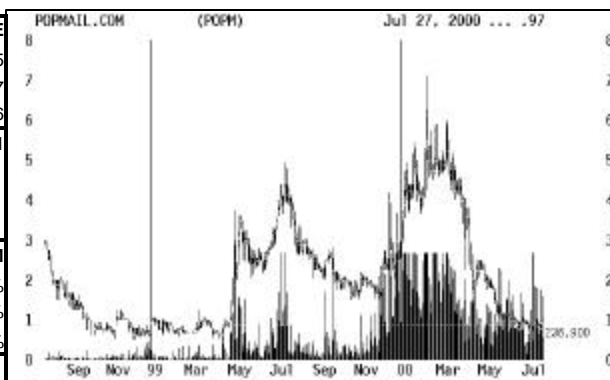
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Initial Report

Getting the Right Information to the Right People at the Right Time on the Right Platform

Current Data		EPS		P/E
Fiscal Year End:	Dec	1999	\$ (2.05)	-0.5
Current Price	\$ 0.97	2000E	\$ (1.32)	-0.7
52-Week Range	8-0	2001E	\$ (1.51)	-0.6
Shares Out (Mill)	45.2	Valuation		Current
Ave Volume LTM	399,966	P/E (Next FY)	-0.73	NM-NM
Market Capitalization	\$ 43.8	P/B	1.00	6.9-0.6
LTD/Tot Cap	2.1%	Price/Sales	2.95	25.32-2.33
Institutional Holdings	1.0%	Operating Data		This Qtr
Insiders Holdings	20.0%	Sales Growth	4.8%	45.1%
Book Value	\$ 1.03	EBITDA Margin	-119.5%	-54.8%
10Yr Bond	6.00%	Net Inc. Growth	-635%	-3304%

Source: Baseline, except for Insider Hldgs and EPS estimates.



Source: Baseline

Key Investment Points

- Strategically positioned to help companies achieve better communications with their customers who are spending more time on the Internet.
- Affinity-based business model reduces acquisition costs and increases message receptivity.
- Competitive advantages include proprietary technology, long-term exclusive contracts, and management expertise.
- The stock is undervalued because the Company is not widely followed.
- Our 18-month target price range is \$5.00.

Company Description

Based in Dallas, Texas, PopMail.com (POPM) is an Internet marketing firm that specializes in email-based permission and affinity marketing services in Broadcast, Media, Sports, Technology, and Entertainment sectors. POPM's technology allows businesses to more effectively and efficiently communicate with their constituents via targeted messaging that are created by affinity and permission opt-in email lists. For example, POPM can create a direct pipeline between a radio station or sports team and their fans that can be leveraged to achieve more effective marketing as well as informing consumers of special events or ticket prices.

Investment Thesis

As consumers continue to increase Internet usage, advertisers are forced to find a way to best use the Net to get their message to targeted audiences. While there are a growing number of email marketing firms, PopMail.com (POPM) is the only one that:

- Utilizes affinity-based methodology,
- Is a one-stop shop for companies wishing to establish email marketing and newsletter services, and
- Has proprietary software to be a cost-effective web host and email content provider.

POPM strives to get the right information to the right people, at the right time, on the right platform. We think the shares are currently undervalued because the Company is not followed by many analysts and it is not yet a pure email marketing play.

I. COMPANY OVERVIEW

POPM is an email marketer, specializing in affinity-based programs. Email operations started in 1999 when the Company acquired two privately held email firms (popmail.com, Inc. and ROI Interactive). Prior to 1999, the company operated a small number of theme restaurants. Because both email firms were privately owned, the financial statements prior to 4Q99 reflect only restaurant operations. We think the restaurant operations are relatively break-even and that the Company will eventually divest them as it focuses on email operations.

Internet Operations

POPM's affinity marketing strategy is based upon facilitating direct relationships between businesses and their fans/audiences in five key vertical markets and leveraging (monetizing) this pipeline with targeted email marketing. POPM contracts with businesses ("Affiliates"), such as professional sports teams that want to communicate better with their customers/fans ("Constituents"). POPM provides three main services to establish and maintain the link between Affiliates and Constituents:

- Self-service publishing: POPM provides the tools that allow the Affiliates to reach Constituents with marketing and service messages.
- Outsourced publishing: Turnkey arrangements where POPM is responsible for all or part of the content, publishing, hosting, and sending of email newsletters as well as companion websites. POPM currently provides many of these services for ZDNet AnchorDesk, one of the Internet's largest and most well known newsletters.
- Branded and co-branded newsletters: Newsletters that are owned or co-owned by POPM. The Company's first such product is expected to be published in summer 2000.

As Constituents sign-up for these services, they provide information on themselves that will allow POPM to tailor messages to their specific areas of interest. Constituents will be more likely to read these messages because they come from a valued source (the "Affiliates") with information they said they wanted. Placing ads from companies that are in line with the Constituents' wants monetizes the resultant database. For example, a fan of the Dallas Stars hockey team who establishes an email account at fansname@dallasstars.com can get email notification team related products and special ticket prices directly from the team. The fan also provides personal information that allows advertisers to direct specific messages that conform to the fan's interest profile.

During the last 12 months, POPM made four acquisitions and configured them into three operating subsidiaries.

PopMail Network provides self-service publishing tools and services for targeted email marketing. It has two proprietary services, ENEWSNOTIFIER(TM) and PopMail(TM).

- ENEWSNOTIFIER (ENN) is a leading self-publishing outbound service for broadcast and sports industries. POPM currently has long-term exclusive contracts with approximately 150 Affiliates, including 50 TV stations in the top 25 markets, Sega, TicketMaster, 29 NBA teams, 16 WNBA teams, and 21 other professional sports teams.
- PopMail is the branded web-based email service that targets radio stations. This service greatly increases traffic to the Affiliates website since Constituents must visit the website to get their messages.

IZ.com is responsible for outsourced and branded newsletters and can produce all or part of a newsletter solution. IZ.com is a one-stop shop for companies who want to get a newsletter and related website developed quickly. By outsourcing the development/hosting efforts, Affiliates gain immediate access to the power of email marketing without having to invest the time and money required to develop the expertise in-house. The newsletters are totally opt-in and contain content in which the Constituent has expressed an interest. The companion website provides additional content and an archive of past editions and a search function. We anticipate the launch of these services in late 3Q00.

IZ.com plans on publishing its own branded newsletter in order to develop its own Constituency. As this database grows, IZ.com will be able to monetarize its database via its Affiliate relationships. The newsletter is currently in development (beta test) and is expected to be unveiled in 3Q00.

A key competitive advantage of POPM's is its proprietary publishing technology. This authoring tool allows the Company to construct multiple newsletters from a single database and eliminates the need for a large staff of coders and graphic designers. It also allows IZ.com to bring new newsletters to market in a minimum amount of time.

Fan Asylum manages websites and fan clubs for approximately 15 high-profile musicians such as Melissa Ethridge, Aerosmith, and Boyz II Men. With its website management services, Fan Asylum designs graphics, creates content, manages the click and brick retail stores, and hosts the website for each of its Affiliates.

Current examples of POPM's programs include:

- **Television stations** - increase ratings by using **ENEWSNOTIFIER** to notify members, via email, about upcoming news stories of interest being televised on their station.
- **Sports teams** - provide advanced information to Members, sell tickets, merchandise and sponsor promotions using ENEWSNOTIFIER, and can drive fan traffic to their favorite team's site using PopMail's free email service.

The Company's major sources of revenues are as follows:

1. **Licensing and hosting fees.** These revenues have large margins and are derived from developing and hosting Affiliate websites and email boxes for Constituents. These fees will vary based on the size of the database. Also included in this category is the ENN messaging service. Revenues from ENN will be a function of the number and size of the messages sent per period.
2. **Management fees for outsourced publishing.** Another source of high-margin revenues as the Affiliate base grows.
3. **Advertising Revenues.** This revenue stream is not expected to materialize until IZ.com launches its services in 3Q00 and develops its own Constituency. However, we expect this to be a significant source as POPM leverages its database with other Affiliates.
4. **E-commerce fees,** while having the smallest margin, are expected to produce high volumes and be a major contributor to the bottom line. This revenue stream represents a commission on goods sold, such as tickets, team merchandise or CDs. Ticket sales are expected to be a significant contributor to EPS as this represents a way for teams to sell more tickets.

Since inception, the Company has been quickly assembling a growing number of clients and strategic partners. As of March 2000, POPM had 500 Affiliates and over 3 million Constituents. Table 1 (next page) summarizes the growth of the company since late 1999.

Table 1: Client Signings, Acquisitions, and Strategic Partnerships Since Inception

1999	April	Sunburst Media (22 stations)
	August	Dallas Mavericks Rebecca's Garden (nationally syndicated Hearst TV show)
	September	Mighty Ducks & Anaheim Angels
	October	NBA.com (29 teams), WNBA.com (16 teams) Acquired minority interest in Internet Community Concepts
	December	Finalized acquisition of RIO Member base exceeds 1 million, clients number 650 University of South Carolina Gamecocks Central Newspapers, Inc. (ECP): newspaper and websites NY Post
2000	January	CBS affiliate in south Florida (CBS4) Dorling Kindersley Publishing website (DK.com) Signs Letter of Intent to acquire Iz.com (convergent media company) BayTV (San Francisco) - cable sister channel to NBC affiliate D Magazine (Dallas/Ft. Worth city magazine) Sega of America KERA/KDTN (public broadcasting stations in north Texas)
	February	The Broadcast Image Group. Consulting agreement to assist POPM customers FOX6/WBRC (Birmingham, Alabama) Los Angeles Opera Providing content to ZDNet
	March	Goes international with Spanish and Portuguese language sites. ABC 7 (Chicago) Craft Click (OTCBB:CTCK)
	April	Announces 3 million users NY/NJ Metro Stars (MLS) Tampa Bay Lightning (NHL)
	May	Joint Venture with Ticketmaster Online-City Search Signs Letter of Intent to acquire Fan Asylum Denver Broncos (NFL) Joint Venture with Net Calendar-Your Local Buzz (TM)
	June	Colorado Avalanche (NHL) and Pepsi Center Acquires Fan Asylum (\$5 million in 1999 revenues)
	July	Agreement with The Hearst Corp. to provide ENN to www.esquire.com Partnership with WinDay.com (hosting agreement)

Competitive Advantages

In our opinion, POPM's competitive advantages consist of:

- *Affinity-based network.* An affinity-based operating model reduces acquisition costs, provides better information from the consumer, and creates a more stable audience. By being the first to market in its niches, POPM is quickly capturing market share by obtaining exclusive contracts with major media companies as well as major league sports teams. During 1999, POPM signed contracts with over 500 companies in the media, sports, entertainment and technology verticals. These contracts have lock-up and non-compete clauses, preempting competition for the duration of the agreements.
- *Proprietary software* that allows the rapid construction of websites and individual email boxes. POPM's proprietary software allows it to quickly provide private label email messaging systems at little incremental cost. With this software, POPM can rapidly scale up customized email-messaging sites, including all domain name registration, domain assignment and customized graphics for each mail site.
- *Proprietary newsletter technology* that can produce large volumes of customized newsletters quickly and at a low cost.
- *The ability to provide a full-range of services.* POPM provides hosting, website development, email management and newsletter publishing services. It is a one-stop shop for a Company wanting to tap into its affinity base via the Internet.
- *Exclusive contracts with major radio stations and sports teams,* and
- *A management team* with experience and contacts in each of the Company's target niches.

Restaurant Operations

Two Café Odyssey units are currently open; The Mall of America in Minnesota (opened in June 1998) and the Pavilion in Denver (opened in May 1999). These are theme restaurants, with each room having a different atmosphere. Several "fusion" items such as Asian Tacos and Barcelona Spring Rolls highlight the menu. Meal prices were in the same range as other theme restaurants with lunches starting at \$7.95 and dinners starting at \$9.95. Unlike some other theme restaurants, the food is quite good and several entrees have won awards in Cincinnati, Ohio and Bloomington Minnesota. While both units have been open less than a year, the trends are positive and each is cash flow positive. In our opinion, management will focus on Internet business and not invest further in restaurant operations. While not actively looking to sell the units at this time, we expect that the units will eventually be sold.

II. INTERNET MARKETING /EMAIL INDUSTRY

Internet marketing is fast becoming the communication medium of choice due to its low cost, targeting abilities, and the fact that individuals are spending an increasing amount of time online. It is also becoming the advertising medium of choice for these reasons and as TV viewing declines and consumers become increasingly numb to snail mail and print ads. Evidence of these trends has been provided by an increasing amount of research. Figures 1 and 2 illustrate the trends in advertising spending in dollar and percentage growth terms. Note that even though Internet ad spending growth is expected to decelerate in 2001, it will still significantly outpace the growth in total marketing spending.

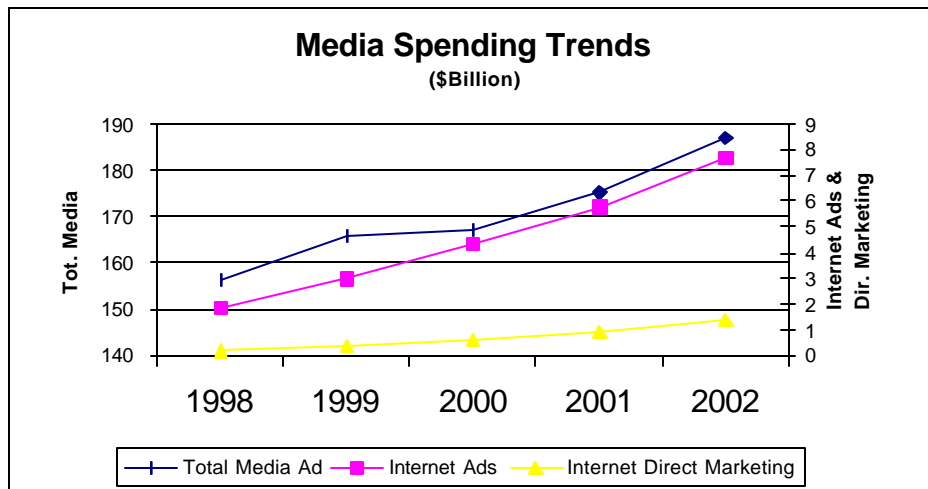


Figure 1 (Source: Jupiter Communications)

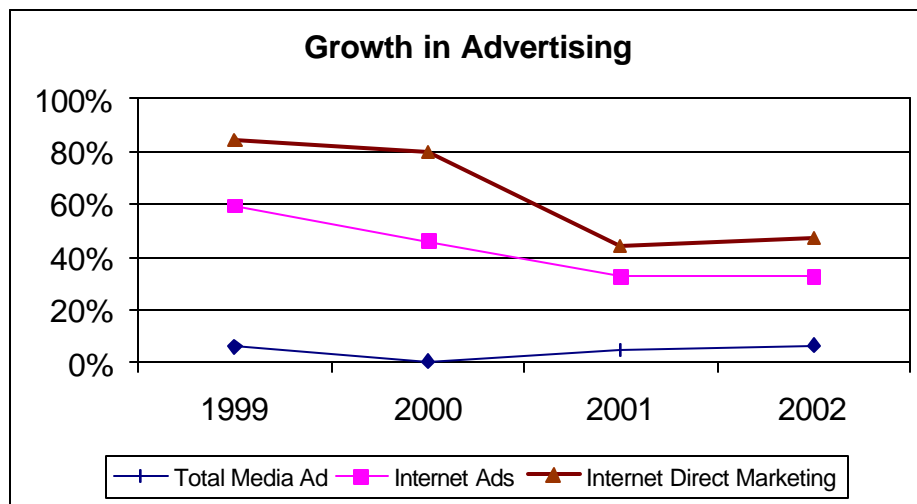


Figure 2

The email segment is also expected to grow at an exponential rate. Here is a brief sampling of recent reports on email use:

- The number of email boxes will increase from 351 million worldwide today to 531 million in 2002 (IDC).
- Email accounts for 91% of online usage (Jupiter Communications).
- The number of email boxes is expected to grow 50% from 1999 to 2002 (Forrester Research).

Companies, aware that their customers are online, are expected to increase spending for online advertising. According to Forrester Research, on-line advertising was a \$2.9 billion market, with \$1.1 billion consisting of direct email in 1999. By 2004, Forrester estimates that online advertising will run \$22.0 billion with \$3.0 billion being allocated to direct email. Consequently, it is hard to deny that online is the way to reach consumers. The question is how.

We characterize the spectrum of email marketing methods as ranging from spam to “Dear Sam”. Spam is the high volume, low-value add approach that nobody likes. It is akin to telephone solicitors calling during dinner and has been so abused that ISPs and legislators are taking actions to prevent spam campaigns. At the other end of the range is the mass-customized approach, or “Dear Sam”. With this method, individuals tell the emailer what information they want to receive, allowing advertisers to customize their messages and achieve better targeting and receptivity.

Note that we differentiate between affinity and opt-in email. Opt-in email is the middle of the spectrum where consumers acknowledge that they are willing to accept advertisements relating to certain interests. We think receptivity is greater with affinity-based email because the consumer is stating they WANT information from their favorite team or radio station. The ad is piggybacked on this distribution channel, but still tailored to the individual’s profile.

Competitive Analysis

With relatively low barriers to entry, there has been a proliferation of companies providing a range of email-based services. Most of the nine firms that we consider direct comparisons have been publicly traded for less than a year. The foundation of these business plans is to meet a need for the individual while proving a conduit for advertisers. Firms such as Lifeminders (LFMD) are internet-based reminder services that also use the consumer connection for opt-in email advertising. Another example is a click-rewarded, such as Netcentives (NCNT), which offer consumers points for surfing via their portal, while simultaneously providing opt-in commercial messages. At the end of 1999, we counted about 13 publicly traded email marketers, which we have summarized in Table 2, below.

Company	Ticker	IPO		Current Price	Change Since IPO	# Users (Million)	LTM Sales (\$Mill)	Market Cap (\$Mill)
		Date	Price					
VALUE-ADDED SERVICES								
POPMAIL.COM	POPM	11/3/97	\$ 5.00	\$ 0.97	-81%	2.5	13	24
Ticker not Found	YESM	9/23/99	\$11.00	\$34.00 (1)	209%	7.0	Acquired by CMGI: 3/00	
LIFEMINDERS	LFMN	11/19/99	\$14.00	\$ 27.88	99%	12.5	38	566
NETCREATIONS	NTCR	11/12/99	\$13.00	\$ 28.13	116%	7.7	34	436
E-MAILERS								
DIGITAL IMPACT	DIGI	11/23/99	\$15.00	\$ 14.63	-3%	8.0	20	358
CRITICAL PATH	CPTH	3/29/99	\$24.00	\$ 61.75	157%	100.0	71	2,898
MAIL.COM	MAIL	6/18/99	\$ 7.00	\$ 8.72	25%	14.4	34	394
MESSAGEMEDIA	MESG	12/12/96	\$ 9.00	\$ 3.81	-58%	na	23	209
EXACTIS.COM	XACT	11/19/99	\$14.00	\$ 8.63	-38%	10.0	Acquired by 24/7: 2/00	
E-REWARDS								
NETCENTIVES	NCNT	10/14/99	\$12.00	\$ 12.88	7%		18	417
FREESHOP.COM	FSHP	9/28/99	\$12.00	\$ 3.63	-70%		18	56
MYPOINTS.COM	MYPT	8/20/99	\$ 8.00	\$ 16.25	103%	8.1	55	421
CYBERGOLD	CGLD	9/23/99	\$ 9.00	\$ 7.75	-14%	7.5	Acquired by MYPTS: 4/00	

Sources: Baseline, researchstock.com estimates, company information.
(1) YESM price est. as of just prior to acquisition date.

While there are many email providers, few seemed focused on POPM’s niches (the five verticals). According to management, only two firms MailCheck and OnMedia (both privately-owned) target radio station customers.

III. MANAGEMENT OVERVIEW

Stephen D. King, CEO, Chairman, and founder of Café Odyssey (the previous name of POPM).

- Focuses on acquisitions, capital investments and ways to enhance shareholder value.
- Has extensive financing, management and restaurant experience.

Jesse Berst, Chief Operating Officer, CEO of Iz.com, and Director.

- Responsible for development and implementation of strategies to monetize POPM's email database.
- Heads content development and strategic initiatives.
- One of the most widely-known technology journalists. Founded and is currently an Editorial director of ZDNet's AnchorDesk website.
- CNNfn featured analyst.

Gary Schneider, CEO, co-founder of ROI Interactive.

- Focuses on operations, growing the PopMail network, product development, strategic partnerships, and M&A (mergers and acquisitions).
- Has a strong background in sales and marketing of major market TV and radio stations, having spent nine years with Gaylord Entertainment.
- Created ENEWSNOTIFIER™.
- Previously, he served as President of Sky TV, a Dallas-based, high-end computer video company with computer TV programs and features in national syndication and in-flight distribution on several airlines.

John Palms, Jr., co-founder of ROI Interactive, President of PopMail Network.

- Responsible for increasing revenues by leveraging the PopMail network via strategic partnerships.
- Has spent most of his career (17+) in the information technology field.
- Prior to joining POPM, he was President/CEO of CompuNet, Inc., a national Internet service provider in Richardson, Texas. He also held various strategic and marketing positions at Unisys, Hewlett Packard, and Rockwell Corporation.

Tom Orr, Executive Vice President, CFO, and Director.

- Joined POPM full-time as CFO in June 1999, but was on the Board of Directors since July 1997.
- Responsible for acquisition and integration issues.
- Has over 30 years of business experience with a focus on financial strategy, distribution, company development, and M&A integration.
- Previously held senior management position with ConAgra, Hormel, Pizza Hut, and PepsiCo.

IV. RECENT ACQUISITION: FAN ASYLUM, INC.

On June 15th, POPM completed its previously announced acquisition of Fan Asylum. Fan Asylum, a privately held manager of popular fan clubs and official artists web sites had revenues of \$5 million in 1999. POPM acquired Fan Asylum in an all-stock transaction for 3.6 million restricted shares, subject to various lock-ups and earn out clauses. We think this acquisition will have an immediate impact on the top line, but we do not expect it to contribute immediately to EPS.

San Francisco-based Fan Asylum was founded in 1984 and has offices in London and Tokyo. According to management, Fan Asylum's website (www.fanasylum.com) has more than 400,000 unique users per month with average sessions exceeding ten minutes. Its current client

base consists of such musicians as Aerosmith, Billy Crawford, Boyz II Men, Lenny Kravitz, Melissa Ethridge, and Whitney Houston.

V. OPERATING RESULTS

1Q00 Review

Operating Results

Internet operations remain in a start-up mode; operating expense outpaced revenues as the Company continued to invest in infrastructure and develop its platform. While POPM continued to increase its Affiliate base, we do not expect significant revenue growth until after the 2Q00 when Company launches its branded newsletter services and Fan Asylum results are included. The net loss per share for the quarter was \$0.34 versus a net loss of \$0.18 in 1Q99.

Total revenues increased 21% as Internet revenues totaled \$377,405, versus \$0 last year and as restaurant sales increased 5%. The growth in restaurant revenues was due to sales of \$1.2 million at the Denver location (opened March 15, 1999) offsetting a 13.6% decline at the Mall of America (which opened June 1998) and the August 1999 closing of the Cincinnati unit.

The operating loss widened to \$8.7 million from a loss of \$1.3 million in 1Q99 due to increased Internet investment, which more than offset a slight improvement in restaurant operating expenses. General and Administrative expenses increased 617% versus 1Q99 due to the following:

- The acquisitions of old popmail, ROI and IZ.com,
- Relocation of executive offices from Minneapolis to Dallas,
- Staff additions, and
- Continued software development.

Goodwill amortization increased \$5.5 million as the result of the three acquisitions. While this helps offset the operating loss on a cash flow basis, it did not result in positive operating cashflow for the quarter.

The following also contributed to the net loss of \$10.6 million versus last year's loss of \$1.4 million:

- Increased interest expense of \$0.5million (versus \$0.1million),
- Debt guarantee costs of \$0.2 million, and
- Financial Advisor fees of \$1.2 million.

Financial Condition

The Company remains highly leveraged, but the situation improved with the \$7.9 million raised from private placements and \$5.8 million received from options and warrants being exercised during the quarter. The Debt/Equity ratio improved to 6.0% from 47% at 1Q99 and a high of 85% in June 1999.

Peer Group Comparison

POPM's results must be analyzed within the context of the evolution of the sector. This is a very new and rapidly evolving business sector. Of the peer group firms shown in Table 3, only three (Clickation, Mail.com, and MessageMedia) had revenues prior to 1998.

Company	Ticker	LTM Revenues		Recent Quarter					
		\$	% Grwth	Revs	Op Inc	CF Ops	LTD	Eq	LTD/Eq
POPMAIL.COM *	POPMAIL	13	50	2.8	-8.7	-5.4	1.9	90.0	2.1%
LIFEMINDERS	LFMNL	38	-	11.0	-18.9	-16.2	2.7	163.0	1.7%
NETCREATIONS	NTCR	46	-	14.4	3.2	1.5	0.1	47.5	0.2%
DIGITAL IMPACT	DIGI	20	-	5.7	-7.4	-10	0.7	73.5	1.0%
CRITICAL PATH	CPTH	71	-	24.6	-74.8	-17.3	311.0	1300.2	23.9%
MAIL.COM	MAIL	21	726	10.0	-34.9	-17.6	112.5	287.1	39.2%
MESSAGEMEDIA	MESG	16	826	7.0	-19.9	-8.6	-	102.3	na
NETCENTIVES	NCNT	10.8	-	4.6	-14.3	-1.5	3.3	103.3	3.2%
FREESHOP.COM	FSHP	18.0	-	5.1	-5	-4.2	-	47.1	na
MYPOINTS.COM	MYPT	39	-	15.8	-11.7	-10	0.9	142.8	0.6%
Average ex-POPM				10.9	-20.4	-9.3			10.0%

Source: Baseline

Although currently one of the youngest and smallest players in this sector, POPM's operating performance is respectable and it is not as leveraged as others are in the group. The Company's debt load (defined as long term debt/equity) as of 1Q00 is below the group's average and ranks about the middle of the group.

Fiscal Year 1999

POPM's 1999 operating results reflect the company's transformation from a restaurant operator to an early-stage email marketer. In early 1999, management announced its intention to become an email marketer. Consequently, as shown in Table 4, expense growth outpaced revenues as the Company assembled its acquisitions (accounting for the growth in interest and depreciation expenses) and added management. Restaurant revenue growth was the result of the opening of the Denver unit in 2Q99. One-time charges relating to a debt guarantee and warrant repricing also hurt the year's results.

Table 4: 1999 Operating Summary			
(\$Million)	1998	1999	Change
Sales-Restaurant	6.933	12.166	75%
Email	0.000	0.107	
Total Revenues	6.933	12.273	77%
Rest. Expenses	7.668	12.488	63%
G&A	3.081	5.002	62%
Depreciation/Amortz	0.940	5.573	493%
Impairment	2.000	0.000	
Operating Income	-6.756	-10.790	-60%
Interest Exp/(Inc.)	-0.050	2.308	4716%
Warrant Reprice	0.000	4.539	
Debt Guarantee	0.000	1.608	
Fin Advisor Fee	0.000	1.489	
PreTax Income	-6.706	-20.734	-209%
Income Taxes	0.000	0.000	
Net Income	-6.706	-20.734	-209%
Prefd Stock Div & Accretn	0.000	-3.514	
Loss to Comm Shareholder	-6.706	-24.248	-262%
EPS-Common Stock	\$ (0.84)	\$ (2.40)	-386%
Diluted Shares	8.000	10.108	26%

Financial Condition

The Company was highly leveraged and the auditors issued a going concern qualification on their 1998 audit. However, the 1999 financials received a clean opinion from the auditors as POPM raised a significant amount of equity and reduced leverage.

VI: OUTLOOK

We expect POPM to continue to post losses in 2000 and 2001 of (\$1.32) and (\$1.51) per share, respectively. While we forecast revenues and operating margins to improve sequentially, the larger deficit in 2001 is due to increased interest expense and results from our assumption that initial operating losses will be funded by debt (this is discussed in more detail below).

The foundation of our forecast is membership growth and the opportunity to monetarize that base. Our key assumptions are:

- Constituents increase from 500,000 at December 1999 to almost 4 million by year-end 2000 and 10 million by the end of 2001. We do not expect a steady growth rate. The timing of the Fan Asylum acquisition, and its seasonality, as well as the additive impact of the roll-out of POPM's branded newsletters are expected to concentrate Constituent growth in the second half of 2000, with more rapid growth in 2001.
- Fan Asylum merchandise and ticket sales have an average gross margin of 25%.
- Annual revenues per Constituent average \$1.97 in 2000 and \$3.00 in 2001. The peer group metric currently ranges from \$0.40 to almost \$5.00. The acquisition of Fan Asylum, its seasonality, and the rollout of POPM's branded product are expected to accelerate during the second half of 2000 and have a more significant impact in 2001.

- SG&A expenses should outpace revenues as POPM continues to add to meet future growth needs
- No future acquisitions.
- Our model assumes that operating losses are funded by bank debt. However, based upon past experience, it is probable that management will be able to raise additional equity. We think this may occur during 2001. If so, we expect the net effect on our EPS forecast to be minimal as the reduced interest expense should be offset by increased shares outstanding.

We think these are reasonable assumptions based upon the market potential and information disclosed by others in the sector. While some may view these assumptions as conservative in light of the rapid pace of client acquisitions, we would rather be conservative until we have more data on the trends.

Table 5 contains our annual forecast. We chose to focus on annual EPS results in order to maintain what we feel is the proper (long-term) perspective.

Table 5: Annual EPS Forecast				
(\$Million, except per share data)	1998	1999	2000	2001
Revenues				
Restaurant	6.933	12.166	12.967	13.616
Email & Commerce		0.107	4.736	19.981
Total Revenues	6.933	12.273	17.703	33.596
Fan Asylum Merch COGS			1.313	7.890
Food, Beverage, Rest.	1.897	3.145	2.533	2.626
Rest. OP Expenses	5.038	8.404	8.950	9.397
Rest. Pre-Open Exp.	0.733	0.939	0.000	0.000
G&A	3.081	5.002	18.693	32.700
Depreciation/Amortz	0.940	5.573	28.895	30.833
Impairment	2.000	0.000	0.000	0.000
Operating Income	-6.756	-10.790	-42.680	-49.850
Interest Exp/(Inc.)	-0.050	2.308	3.237	9.939
Warrant Reprice		4.539	0.750	0.000
Debt Guarantee		1.608	0.155	0.000
Fin Advisor Fee		1.489	1.727	0.000
PreTax Income	-6.706	-20.734	-48.550	-59.789
Income Taxes	0.000	0.000	0.000	0.000
Net Income	-6.706	-20.734	-48.550	-59.789
Prefd Stock Div & Accretn		-3.514	0.000	0.000
Loss to Comm Shareholders	-6.706	-24.248	-48.550	-59.789
EPS-Common Stock	\$ (0.84)	\$ (2.40)	\$ (1.32)	\$ (1.51)
Diluted Shares	8.000	10.108	36.696	39.623
Debt/Equity	0.55	0.26	0.38	-4.69
Operating Cash Flow/Share	\$ (0.52)	\$ (1.10)	\$ (0.53)	\$ (0.65)

VII: VALUATION

Our 12-18 month target price is \$5.00 and is based on an average of two valuation methodologies, Price/Sales and Price/members. As discussed below, we determined the current valuation metrics of the peer group, discounted them (to be conservative), and applied the discounted multiples on our 2002 forecast. We summarize our methodology in Table 7. Note that for valuation purposes, we assumed that the number of shares would increase as POPM issues additional shares and options.

We think that there could be some upside potential to our target price. Our assumed multiples are very conservative and reflect discounts for POPM's relatively small size (most of current sales are from the restaurants) and lack of market awareness. If the Company performs as anticipated and becomes more of a pure-play, we would be inclined to raise our valuations and target price.

(Mill)	Est.	Multiple	Market Cap	# Shares	Target Price
Sales	\$ 20	12	\$ 240	40	\$ 5.99
	\$/Member				
Members	10	\$ 16.00	\$ 160	40	\$ 4.00
	Average				\$ 5.00

Price/Sales

(Note: We are excluding restaurant sales because we expect Management to spin off that part of the Company.)

As is normal for this sector, we are forced to focus our valuation discussion on top line growth because there is little else to use. As shown in Figure 3, POPM's Price/Sales ratio ranks the lowest in its immediate peer group, which is understandable considering it's a newcomer to the sector, not currently a pure play), and lacks analyst coverage. However, we also think this undervalues the future potential of the Company.

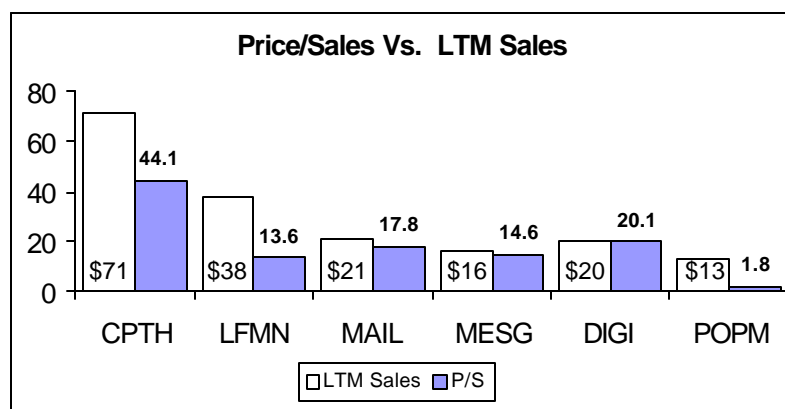


Figure 3

Extrapolating from the data shown in Figure 3, the market currently values average annual sales of \$19.0 million at 17.5x (the averages of MAIL, MESH, and DIGI). We assume a 12.0x multiple on our 2001 sales forecast of almost \$20 million as a conservative proxy for what the market might apply to expected sales 12 – 18 months in the future. This approach yields a target price of \$6.00.

Price/Member

Another metric is Price/Member. This is the market capitalization of the stock divided by the number of the firm’s members (or other metric such as email boxes). Figure 4 shows the current valuations for the firms in the peer group where member information was available. Excluding POPM, the average for the group is \$41.60, with more value being placed on the value-added providers. We use \$16.00/member mostly to be conservative in that it does not assume the market will increase the valuation as POPM executes its business plan.

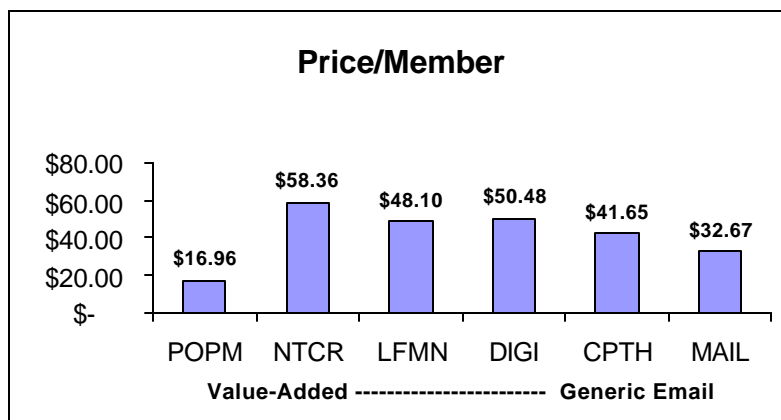


Figure 4

INVESTMENT RISKS

In addition to the risks posed by the challenges of operating in the restaurant and Internet arenas, there are additional risks that must be considered when evaluating a potential investment in these shares:

Operations have not been profitable to date and we expect operating losses to continue at least until 2001. The conversion of the company from a restaurant operator to an Internet operator has resulted in significant operating expenses. We expect SG&A expenses to outpace revenue growth as POPM expands staff to accommodate future growth. We also assume that debt will be used to fund operations and this causes interest expense to increase significantly in 2001.

Significant dilution potential from future acquisitions and the need to fund operations.

The Company has issued a significant number of shares, options and warrants to fund acquisitions and operations. While we do not assume any acquisitions in our forecast, it is reasonable to expect that the Company may make additional acquisitions in the future. In addition, our model indicates that the Company will need to fund operating losses or risk becoming overly leveraged. In both cases, the issuance of additional equity would dilute existing shareholders.

Internet stocks are subject to extreme market volatility. Despite the decline in dotcom stocks since April, valuations remain high by traditional measures and are thus still vulnerable to significant fluctuations in share price.

The Company may not be able to access the market for future funding needs. The market appears to be increasingly concerned about cash-burn rates and real earnings potential. As a result, many Internet shares have not been able to go back to the market to get needed funding. The same may occur to POPM.

The Company may be forced to reprice options in the future. Because POPM relies heavily on options to both raise funds and reward employees, the risk of future repricings will increase if the stock price remains at current levels. POPM repriced options in 1999 and 2Q00 that resulted in charges of \$3.5 million and \$750,000 (our estimate), respectively.

One individual controls a substantial amount of the common stock and may influence the future direction of the Company. James L. Anderson, who resigned from the Board, has effective control of 31.6% of the outstanding common stock.

The common shares could be delisted from the Nasdaq Smallcap market, which would adversely impact share liquidity and the ability to get price quotes. The following are the events that could cause POPM to be delisted:

1. Bid below \$1.00.
2. Net tangible assets below \$2 million.
3. Reduction to one market maker.
4. Reduction in the market value of the public float to less than \$ 1 million.
5. At the discretion of the NASDAQ SmallCap Market.

The Company is not followed by many analysts. We think the market is largely unaware of POPM because the company was not widely followed to begin with and is still classified as a restaurant stock in several databases.

This report contains "forward looking" statements within the meaning of U.S. federal securities laws. Forward-looking statements regarding the Company's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence upon third party vendors; year 2000 issues; and other risks discussed in the Company's periodic report filings, including interim reports, with the Securities and Exchange Commission. By making these forward looking statements, researchstock.com, Inc. undertakes no obligation to update these statements for revisions or changes after the date of this report.

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