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THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

COMPANY INTERVIEW

Educational Video Conferencing, Inc. (EVCI)

JOHN J. MCGRATH



JOHN J. MCGRATH, PhD, co-founder of Educational Video Conferencing, Inc., has served as President and Director of the corporation since its inception in March 1997. EVCI is a public company trading on the NASDAQ, Pacific and Boston Exchanges. Dr. McGrath served as a Special Assistant to the President of Mercy College, Dobbs Ferry, New York from January 1995 to February 1997. He also served as Assistant Vice President for Extension Centers of Mercy College and as the Dean of its White Plains campus from 1990 through 1995. Dr. McGrath's experience includes establishing and managing seven Mercy College Extension Centers and identifying and developing new student markets, academic programs and strategies for nontraditional students. Dr. McGrath holds a PhD from Fordham University with specialization in Law and Criminal Justice. He has been a Professor at Fordham University and Mercy College since 1980.

SECTOR – EDUCATIONAL & TRAINING SERVICES

(JAS617) TWST: Give us a short historical sketch on the company, a flavor of your own experience and perspective with the company. Then describe what you see as your business and company today.

Dr. McGrath: Educational Video Conferencing is a publicly traded company, listed on the NASDAQ, as well as the Pacific and the Boston Exchanges. We have a number of business constructs, but primarily we can deliver live two-way interactive video conferenced college courses, degree programs, along with executive education, corporate training and licensing programs from multiple educational providers (including colleges, universities and professional training organizations). EVCI can video conference this aggregated content to large corporations, school districts, government organizations, military contractors — indeed the public at large. Our educational content can be delivered over group room systems, typically found in corporate conference settings, or over desktop computers equipped for live, two-way interactive multi-media video conferencing, either at work or at home.

In both cases, the professor can actually see and hear the students live, the student can see and hear the professor live and the students can see and hear each other live. Everyone can interact with each other and share data.

Quality, convenience and cost effectiveness are the most important educational variables for adults. There's nothing more convenient for a corporate employee, as an example, to walk down the hall into a conference room after work to take courses, degree programs, or executive education programs. Or taking a EVCI delivered course right at one's desk at work on a video-enabled desktop computer — or at home, perhaps after putting the kids to bed.

Highlights

Educational Video Conferencing delivers two-way video conferenced college courses, degree programs, along with executive education, corporate training and licensing programs from multiple educational providers. President John J. McGrath says the company's competitive advantage is the capacity to videoconference programs at 30 frames per second while controlling the bandwidth and the throughput. He discusses the company's long-term agreement with Bell Atlantic and the co-marketing agreements with Excite At Home and We Media. He feels the company's potential is enormous. It has the first mover position and is in two of the hottest industries today: broadband and education. His strategy is to make sure that the company always delivers quality content, while remaining in the first mover position.

Students who work for large corporations often have their tuition paid by their employer. Major corporations recognize that the more educated their work force is, particularly in a global knowledge-based economy, the more profitable the organization will be as a whole. Companies who provide quality education programs recruit and retain better personnel.

To the best of my knowledge, EVCI is the only company in the world that represents multiple colleges, universities, and training organizations, that can video conference those programs to corporations, government organizations and the public at large, over group room systems and video enabled desktop computer at work or at home; and to the best of our knowledge, our competitive advantage is the capacity to video conference those programs at 30 frames per second (broadcast quality) while controlling the bandwidth and the throughput.

Mr. Goldberg (Financial Consultant for EVCI): I think it's important to emphasize EVCI's proprietary two-way interactive infrastructure network for video conferencing. It uses a combination of core switches, MCU bridges and proprietary software that is designed to deliver voice, video, and data using high-speed broadband Internet, cable-modem, DSL, or ATM service. The network, as John indicated, runs at 30 frames per second and controls throughput using broadband high-speed communication lines. EVCI believes it is the first, and perhaps only company in the world to develop and utilize this kind of proprietary network for educational content.

Dr. McGrath: EVCI has long-term evergreen contracts with educational providers which provide access to over 200 degree programs from colleges and universities, over 2,000 college course offerings and literally thousands of internal training and development programs. We have long-term "evergreen" contracts with several quality schools such as St. John's University based in New York for all their undergraduate and graduate business programs. St. John's University is AACSB accredited (a particularly prestigious business accreditation).

EVCI's other educational providers include: Adelphi University on Long Island for all their undergraduate and graduate business programs. Adelphi has an excellent reputation for their business faculty.

The College of Insurance, which exclusively specializes in insurance and risk management, is located in downtown Manhattan. In fact, it's a few blocks away from the World Trade Center. The College of Insurance was established by the insurance industry to enhance the academic and professional qualifications of employees in their industry. It has a Board of Trustees that includes senior executives from over 20 large insurance companies. EVCI has developed with the College of Insurance a more cost-effective distribution for their educational content to the insurance industry, both for credit college programs (undergraduate and graduate) and also for their seminars and licensing programs.

Most recently we executed an agreement with Clemson University in South Carolina. It's a top-notch school. To the best of my knowledge, Clemson University has the best executive education program in textiles. Our contract with Clemson University includes all their continuing education programs. We can deliver these courses to both their existing client base and to new client bases through our aggressive marketing and proprietary technologies.

Manhattan College, here in New York, most notable for its graduate engineering program is also available through EVCI.

Mercy College, in New York, for all its undergraduate and graduate degree programs: this includes over 75 programs in total. Mercy is one of the largest private colleges in New York.

Golden Gate University, Interboro Institute, and Concordia College are yet other schools as is Touro College, including Touro University International and their School of Osteopathic Medicine and their Law School.

On the corporate training side, we have one of the "best of class" IT education training companies for corporate training, i.e., Computer Generated Solutions. We also represent Visiocom USA Inc. which does one-on-one training through video conferencing. Another training organization is AxxessPoint which provides corporate IT training. Dearborn Institute gives EVCI access to Series 7, Series 24 and other licensing courses for the securities industry. Kaplan Education Centers provides

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EVCI with GMAT, GRE, PSAT, SAT, and Regents Prep.

This is just an example of the vast array of aggregated content we have under long-term contracts. EVCI is an education content aggregator with a proprietary high-speed Internet network. Both of these capabilities create our uniqueness.

Mr. Goldberg: The choice of educational content is important. If one looks at the education industry profile, you're talking about an industry where the United States spends approximately \$668 billion or approximately 9% of the gross domestic product on educational services. Several other factors should be considered. For example, corporations with over 100 employees have budgeted about \$61 billion for training in 1997 and 1998. Credit Suisse First Boston in a recent report indicated that the number of students enrolled in distance education is expected to increase at a compound annual growth rate of 33.1% over the next three years. So you're talking about a very, very significant industry that EVCI directly targets.

Dr. McGrath: Two of Wall Street's hottest industries involve our two areas of concentration: education and high-speed Internet. Our company essentially sees itself as the entrepreneurial bridge. On one side of the bridge we have the content, which I've just explained. On the other side of the bridge are customers such as corporations, government agencies, people at home, who take our programs through our proprietary technologies.

We made a conscious decision to initially sign contracts with the largest banks, insurance companies, financial institutions, defense contractors, and school districts. From that vertical path, we target other corpora-

tions within the same industry. As an example, on the banking/financial side, we have five-year contracts with Citibank, North America and Merrill Lynch, Global Training and Development. In the insurance industry as another example, American International Group, Travelers, Reliance, General Re Insurance, and Zurich, have all executed long-term agreements with EVCI. Lockheed-Martin is our lead contract in the defense industry.

We also have contracts with the New York City Board of Education (School District 10) and with the Rochester Public School District, one of the largest cities in upstate New York. We provide educational opportunities for teachers enabling them to secure master's and post-master's courses in degree programs. K-12 students can take courses from Kaplan Educational Centers. High school seniors can take freshman college courses with us at their local school and then stay at their local school to complete their degree or transfer to the college or university of their choice, if they get the appropriate grades. The public at large can go to their local high school or middle school and secure college certificates, associate degrees, bachelor's degrees, master's degrees and a whole host of corporate training and development programs.

Mr. Goldberg: EVCI actually services two different consumer markets. The first is special outreach programs for people who need basic job

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or educational skills to get into the job market. We have expanded into 24 centers, all of which are located in community-based organizations. These community-based organizations are public schools, neighborhood churches, head start daycare centers, etc.

The broader consumer market is targeted through several EVCI co-marketing agreements with companies which have a large existing consumer market base such as Bell Atlantic, Excite at Home, the NFL Players Association and We Media (for the disabled market) throughout the United States.

Dr. McGrath: EVCI executed a long-term agreement with Bell Atlantic. Bell Atlantic can bundle our services to Bell Atlantic's customers, including corporations and 25 million households within 13 states from Maine to West Virginia. EVCI is training approximately 900 Bell Atlantic sales executives. They are being trained to call on existing Bell Atlantic clients to provide their clients with a compelling reason to upgrade from their current telecommunications technology to high-speed Internet technology. EVCI is one of Bell Atlantic's top three marketing initiatives for the year 2000.

On February 14, Bell Atlantic and EVCI had a major press conference. EVCI demonstrated our proprietary technology. St. John's University video conferenced a professional development seminar to employees at Merrill Lynch and at American International Group using both desktop computers equipped for video conferencing and a group room system for video conferencing.

Excite At Home's co-marketing agreement gives EVCI marketing access to approximately 60% of the American public through the Excite At Home Network and their affiliated cable companies. Their rollout is expected to begin in April 2000.

To illustrate how revolutionary EVCI's technology is, EVCI was recently nominated for a Computer World-Smithsonian Award. The Chairman of EVCI has been invited to the presentation dinner on Sunday evening, April 2 in Washington, DC. Such recognition reflects EVCI's contribution in both the education industry and in the information technology industry. EVCI's technology will now be described in the permanent collection of the Smithsonian Institute. It is a very prestigious award.

Mr. Goldberg: Another co-marketing agreement is with We Media. We Media is an organization that represents the disabled, their families and friends. Their bimonthly publication is distributed to a large cross section of the disabled community. Approximately 54 million people are within the legal definition of disabled within the United States. Many of them rely on desktop computers to communicate. We Media has committed \$7.5 million over a five-year period (\$1.5 million a year) to market EVCI to the disabled. Disabled people, at work or at home, will have the opportunity to secure degrees or corporate training and development through live interactive multimedia video conferencing at broadcast quality over the high-speed Internet.

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TWST: If you could, focus on the value proposition that you bring into the educational environment and the differentiation that you offer to the in-house efforts that educational institutions might be undertaking or perhaps the campus.com and the media companies that they're starting to form in the higher educational field to take advantage of their content and intellectual properties on campus.

Dr. McGrath: Many colleges and universities today are involved in the business of distance learning. However, the overwhelming majority of them use an e-mail application over the Internet as a basic delivery system. They essentially type back and forth over the Internet. In some

advanced forms, they actually do some streaming of video, but it's very, very slow. We also do that, but that's not our primary business construct.

Some colleges and universities engage in video conferencing as a distance learning method. However, more of them do one-way video, two-way audio. Even those that do two-way video, two-way audio do not provide distance learning to the desktop, rather they video conference over group room systems. The difference between our company and what else is out there is EVCI's multiple colleges and corporate training providers and our proprietary technologies. We don't represent one college or university, or one training organization: we represent multiple educational institutions. If, for example, a particular university walked into a major corporation, they would only be able to represent themselves. When we walk into a major corporation, we have tier-one schools, tier-two schools, tier-three schools and training organizations — a broad variety of content to suit most needs.

"Excite At Home's co-marketing agreement gives EVCI marketing access to approximately 60% of the American public through the Excite At Home Network and their affiliated cable companies. Their rollout is expected to begin in April 2000."

Mr. Goldberg: Really EVCI can satisfy a broad range of needs for the entire corporation, not just a limited portion of the market. This is a major strength of EVCI.

Dr. McGrath: Nobody, to the best of our knowledge, has this range of content aggregation, this type of technology, this vast breadth of mixing telecommunications and marketing.

The colleges with whom we work independently provide the degrees. They maintain absolute control over their own academic and administrative policies and procedures. There are a few companies that provide distance learning opportunities from colleges and universities. However, they do not deliver the content right into the corporation itself over group room systems and video enabled desktop computers. Their business model generally is to deliver content to store fronts or other places which they own or rent. Sometimes they only represent one academic institution. EVCI delivers the content right into the corporation or the home.

Let's assume for a moment that you wanted to secure a Master's degree in Finance from St. John's University. If you committed to take eight graduate courses, EVCI has designed a pilot program to provide a video enabled Pentium computer and to pay for your high-speed Internet connectivity during the period in which you were taking the degree. The computer would be yours to keep if you completed your contractual commitment. You'd have to register for at least two courses a semester. But this is a way for people either at work or at home to be able to have the appropriate equipment from EVCI.

Mr. Goldberg: The proprietary two-way interactive telecommunications network which EVCI possesses makes it absolutely unique in the educational aggregation business. Yes, there are various noneducational content aggregators out there like: MP3.com or musicmaker.com or broadcast.com. And, there are also some educational content companies, but none of them have their own proprietary 30 frame per second, equivalent to broadcast quality as a delivery mechanism and none of them have as broad a choice of degree and nondegree programs. So when you put all of these together, EVCI is totally unique.

Dr. McGrath: Our focus is on both higher education and corporate training. In fact, there's more capital spent by corporations today on corporate training than there is on higher education. Both are significant markets. We provide opportunities for both. And the ability to video conference over desktop computers where people can log on from anywhere where there's an appropriate telecommunication line gives us the opportunity to make sure that there are enough students in the class to make it economically feasible.

Just one last point. The reason Bell Atlantic signed a contract with us is because they believe that a large part of the future of selling telecommunications is content. Content will drive sales! Bell Atlantic's senior representatives and I were in Washington speaking to telecom analysts. Coming through loud and clear from all parties was the recognition that content is a compelling reason to upgrade to high-speed Internet telecommunications. You need to take a look at what a corporation needs, see what their training and development concerns are — and to understand that educational content will drive sales.

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Mr. Goldberg: Previously, the only content out there was either entertainment or "B to B." Education becomes a very compelling reason to upgrade to this high-speed service. That's what the telecom companies have determined and, further, why they are working with EVCI.

TWST: What levels of revenue are available when you enter into these contractual relationships to provide your services and then is there a critical mass level at which point the profitability begins?

Dr. McGrath: With reference to the colleges and universities and the training organizations, we typically charge the exact same tuition or cost as you would on campus or with the training organization itself. Where there's large volume we negotiate discounts. Typically, EVCI negotiates and executes contracts under which EVCI receives 50 to 60% of the tuition. This is supplemental tuition revenue that colleges

and training organizations otherwise would not receive. We can provide new students from around the world who would not otherwise commute or reside on campus.

On the corporate side, we look for corporations that have tuition reimbursement programs and large training budgets. We utilize the corporation's standard college tuition reimbursement programs. We also provide access to training more cost effectively, and receive revenue from the corporation's internal training budget.

It's a win-win for everybody! It's a win for the training organizations, colleges and universities because it's significant supplemental revenue. It's a win for the corporations because they enhance the academic and professional qualifications of their work force. It's a win for EVCI because this business construct is very profitable.

"We have phenomenal opportunities based upon our content aggregation including our recent acquisition of Interboro Institute which is a college in Manhattan, and our co-marketing agreements. We're looking at many, many contracts coming through our Bell Atlantic co-marketing initiative."

EVCI believes in the first mover position. The first company that gets out there and signs long-term contracts with the largest banks, financial institutions, insurance companies, the Bell Atlantics of the world, etc., and does a good job, will be around for a long time. So part of our strategy is to (1) get out there and execute long-term agreements with the biggest and the best, (2) to have the best technology and content around and (3) to be constantly ahead of the curve. We have successfully demonstrated this strategy.

Mr. Goldberg: In terms of your revenue question, attack it from a different perspective. EVCI's revenue for 1Q of this year will be in excess of all of last year's revenue. Obviously last year, EVCI's first year in operation, the company was building its infrastructure and rolling out its contracts in a deliberate fashion. The revenue was minimal. This year, 1Q is going to end up being more than all of last year. Internal projections indicate the possibility of becoming profitable by 4Q of 2000 or 1Q of 2001, if EVCI has adequate capital with which to grow. EVCI's co-marketing partners have done their own numbers in terms of their revenue share. Their numbers for their share often is in excess of EVCI's projections for the year mainly because EVCI's internal numbers are very conservative.

TWST: Is cash or capital a limitation in the meantime as you address these opportunities?

Mr. Goldberg: It can be because obviously you need cash to implement some of the rollout. The question is how fast does the company grow? Additional capital will speed the growth.

Dr. McGrath: We're always looking for new sources of revenue. The more opportunities that come our way, the more the capital requirements. The investment community has put their trust in EVCI. Our potential is enormous. We have the first mover position. We're in the two hot industries: broadband and education.

I believe that tier-one broker-dealers will step up to the plate, assuring us that we have the financial resources to grow. Our strategy is to make sure that we deliver quality content, while simultaneously making sure we remain in the first mover position.

TWST: One hurdle from an institutional investor viewpoint might be the number of shares outstanding, the 65% insider ownership and the low float. Approximately 1.5 million shares are available. Can you address those in the short term?

Mr. Goldberg: Yes. EVCI is at least considering the possibility of either doing a secondary or increasing the float in some shape, manner or form.

TWST: When you look out then short term, 12 months, what specifically is on the agenda? What accomplishments in the next 12 months make that time frame a success?

Dr. McGrath: We have phenomenal opportunities based upon our content aggregation including our recent acquisition of Interboro Institute which is a college in Manhattan, and our co-marketing agreements. We're looking at many, many contracts coming through our Bell Atlantic co-marketing initiative. Excite At Home is likewise going to enhance revenue and add profitability for EVCI. The We Media opportunity is very significant.

Our regular sales force targets banks, insurance companies, hospitals, healthcare facilities, school districts, etc. We expect to accelerate our revenue growth through our acquisitions. We expect to be generating significant revenue in other areas within the next 12 months. We have great opportunities for significant profitability.

Mr. Goldberg: The bottom line is that unlike most Internet-type companies which are concerned only about awareness and mind share, EVCI is very concerned and focused on trying to enhance revenue and, ultimately, bottom line profitability. That's really the key direction that the board of directors of this company and the chairman and the president have constantly preached.

Dr. McGrath: The vision of this company was established by Dr. Arol Buntzman, who is the Chairman and Chief Executive Officer of EVCI. His doctoral dissertation centered on the use of live two-way interactive, multimedia video conferencing and how colleges and universities, along with training organizations, could use this explosive new technology to secure new markets and then aggregate that content to corporations and the public at large. EVCI is a product of his vision and our first mover position.

TWST: Thank you.

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Investors Brief



Educational Video Conferencing, Inc.

Ticker (exchange)
Price close 3/29/00
12 Months Price Range

EVCI (NASDAQ)
34 3/4
6 - 40 15/16

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Arol Buntzman
Chairman of Directors and CEO
John McGrath
President
Richard Goldenberg
CFO and Secretary

Corporate Business Description

Educational Video Conferences, Inc. is a leading aggregator and distributor, via live interactive video conference systems, of accredited college courses and degree programs, as well as corporate training, professional development and continuing education programs. The Instructor can see and hear the students as the students see and hear the instructor and communicate with the instructor and other students at multiple locations. Educational content is currently being delivered by EVCI over high speed point-to-point or multi-point digital lines (T-1 or ISDN). EVCI is deploying its proprietary broadband network design which, using Internet Protocol infrastructure technology, permits EVCI to continue to provide two-way multipoint, multimedia voice, video and data transmissions, including over the Internet, but with controlled bandwidth and throughput. Using its broadband network design, EVCI can deliver educational content at 30 frames per second (broadcast quality) through DSL, ATM, T-1 lines, cable modems or satellite.

EVCI can deliver content to conference and training rooms and desktop computers equipped with video conferencing capability. EVCI believes that distance learning technology and content delivery services comes closest to replicating the classroom experience. EVCI also provides the consultative, marketing and administrative services necessary to recruit and enroll students and deliver courses and programs to them.

EVCI presently can offer more than 2,100 courses and 200 degree programs from education providers that include St. John's University, Adelphi University, Clemson University, Manhattan College, The College of Insurance, Mercy College, Concordia College, Golden Gate University, Touro University International, Interboro Institute and Kaplan Educational Centers. EVCI can also offer over 1,000 training, professional development, and continuing education courses from several providers.

Major corporations, including Citibank, N.A., American International Group, Inc., Merrill Lynch & Co., Inc., Reliance National, Travelers indemnity Company, and Lockheed Martin Corp. have long-term contracts with EVCI.

EVCI has co-marketing agreements with Bell Atlantic and @Home Network that will give EVCI marketing access to more major corporations and more than 75 million US households. EVCI also has a co-marketing agreement with We Media, Inc. that gives EVCI marketing access to 54 million disabled Americans.

RECENT HIGHLIGHTS

Educational Video Inc. Enters Multi-Year Agreement to Collaborate with 'edcor, a Leading Third-Party Educational Administrator

March 22, 2000—Educational Video Conferencing, Inc., working to build strategic alliances that expand its service offering, has entered into a multi-year agreement with edcor Data Services, a leading third-party administrator of corporate educational programs, allowing them to market each others' services

"The services offered by our two companies are highly complimentary," says Dr. Arol I. Buntzman, EVCI's chairman and CEO. "edcor gives EVCI direct access to crucial contacts inside the leading corporations that can benefit most from our unique accredited education and corporate training programs. By aligning with EVCI," Dr. Buntzman continues, "edcor will extend its services into the dynamic growth area of live, Internet-based distance learning while simultaneously offering vast new options for coursework open to all of the students in edcor's vast network."

Educational Video Conferencing to Offer Educational Programs to the 830,000-Strong California State Baptist Association

March 17, 2000—In a move that further expands its operations on the West Coast, Educational Video Conferencing, Inc. has entered into a multiyear agreement with the California State Baptist Association to market educational programs to the group's membership via EVCI's real time, interactive educational video services.

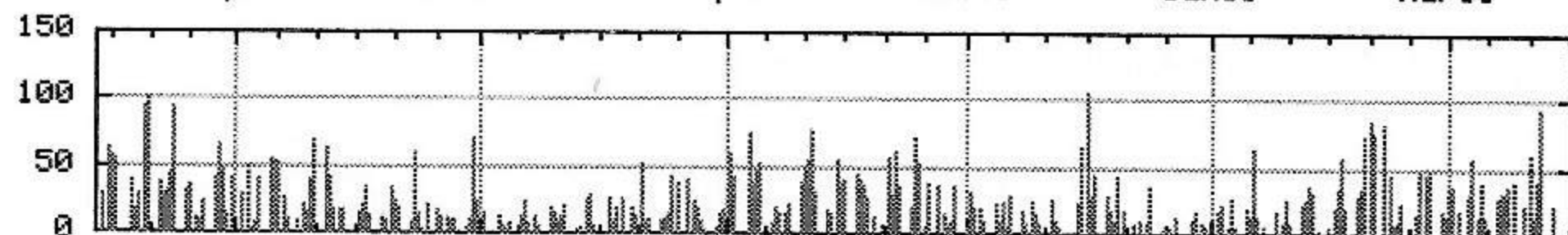
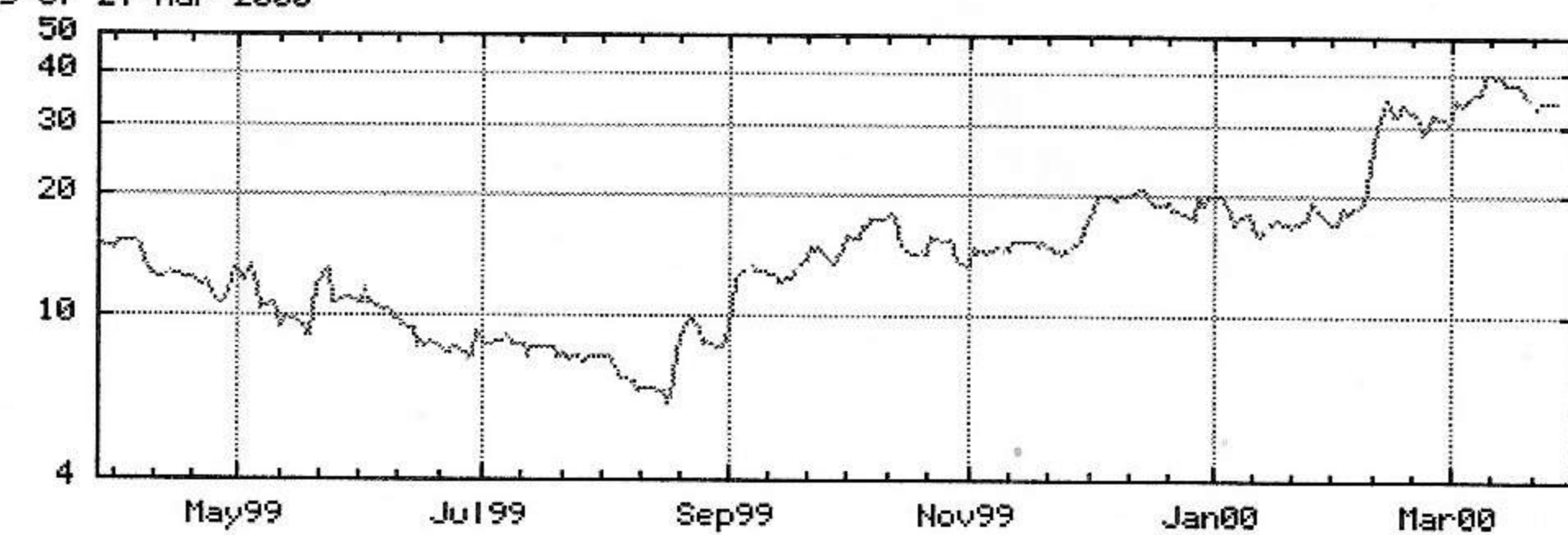
Adds Dr. John J. McGrath, EVCI's president, "This agreement allows EVCI to expand our Outreach Program to another community of disadvantaged and non-traditional students, providing them opportunities to achieve personal and professional goals and objectives. The agreement also will fortify EVCI's already well-established position in western states, where the company has assembled educational content providers such as Golden Gate University and Touro College/Touro University."

Educational Video Conferencing to Offer Degree Programs, Continuing Education From San Francisco-Based Golden Gate University

March 10, 2000—Continuing to expand its base of educational providers, degree programs, substantive course offerings, and corporate training programs, Educational Video Conferencing, Inc. has entered into a multi-year agreement with San Francisco-based Golden Gate University, a 147-year-old institution, to offer all of the university's undergraduate, graduate and doctoral degrees, academic courses, and continuing education programs through EVCI's proprietary two-way video conferencing technologies

"Golden Gate University's tradition of catering to students with full time jobs and careers fits in with EVCI's business model, which specializes in working-adult education," says Dr. John J. McGrath, president of EVCI. He added that, "EVCI maintains a business-to-business model by offering degree programs, coursework and corporate training directly to large corporations. The Golden Gate staff has experience with a student body with diverse needs and educational goals, and as a result, we feel they will be a particularly effective and valuable addition to EVCI's roster of content partners."

Educational Video Conferencing Inc
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