

NETSOL TECHNOLOGIES INC

Form DEF 14A

January 08, 2003

Edgar Filing: NETSOL TECHNOLOGIES INC - Form DEF 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the registrant: /X/

Filed by a party other than the registrant //

Check the appropriate box:

- // Preliminary proxy statement
  - // Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
  - /X/ Definitive proxy statement
  - // Definitive additional materials
  - // Soliciting material pursuant to Rule 14(a)-11(c) or Rule 14a-12
- NetSol Technologies, Inc.  
(Name of Registrant as Specified in Its Charter)

Board of Directors of NetSol Technologies, Inc.  
(Name of Person(s) Filing Proxy Statement)

Payment of filing fee (Check the appropriate box):

- /X/ No fee required
- // Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

// Fee paid previously with preliminary materials:

// Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount previously paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing party:
- (4) Date filed:

NetSol Technologies, Inc.  
24011 Ventura Blvd., Suite 101  
Calabasas, CA 91302

---

December 23, 2002

To Our Stockholders:

The year 2002 has been a year for survival for NetSol and many other companies in the technology industry. The entire industry was adversely affected due to unprecedented world events, the economy and the technology sector meltdown. NetSol survived almost every conceivable challenge from the invalid dissident shareholders takeover attempt in summer 2001, to the uncertainty on Wall Street throughout 2002. The Company has emerged to be a survivor, as the management faced numerous obstacles and difficulties but embraced these challenges with courage, dedication and commitment. We would like to thank our shareholders and employees for their support, dedication and loyalty and belief in the management of the Company, particularly in these trying times.

This past year, the Company embarked on a series of restructuring and consolidating initiatives across the board. We had to retrench. As the first step in beginning of 2002, we divested from our UK and German operations. We closed the two European offices and liquidated them. We reduced head counts by over 35% or 150 people worldwide. We streamlined our corporate overheads by reducing the staff and office space, which resulted in over 50% saving or nearly \$50,000 monthly. We improved upon the cost efficiencies and improved the productivity by at least 30% in our development facility overseas. Due to all of these initiatives, our gross margins have improved dramatically to now nearly 50%. We refocused our vision by solidifying our business model and core competencies as software developers for enterprise application software solutions and complex solutions for financial systems.

Our stated aim, market conditions withstanding, was to stabilize the Company and improve loss reduction. We accomplished that goal by September 30, 2002. Our loss from operations was reduced to \$1.1 million in September 2002 from \$1.8 million in same quarter in 2001. Throughout 2002, the management worked very hard to drive new revenues in North America and Asia Pacific region. While we obtained very positive results by signing new customers in Australia, Japan, Pakistan, Thailand, etc., our results in the US market were less than impressive. In the past, the Company had allocated resources in the US market for business development with little results. The Company had allocated the same amounts to other markets with significantly better results. Therefore, it was determined that our marketing efforts in North America should be curtailed and marketing efforts in the overseas other markets were increased.

In 2002, against major slowdown in IT spending by our target customers we continued to add new blue chip customers such as Yamaha Motors Australia, Citibank Pakistan, Mercedes Benz Finance Japan, United Nations Development Project (UNDP) Askari Bank, SAF Games and many other local names in Pakistan. NetSol continues to focus on customer relations by offering best practices in the full life cycle of software application development, whilst maintaining our competitive edge through high quality and lower end costs to customers. While we pursued new business and confronted many new

---

challenges, our teams in the development facility never lost the focus in quality assurance and improving quality standards. NetSol Pakistan became the first software company to be assessed CMM level 2 (Capability Maturity Model-A Carnegie Mellon instituted quality standard). Our teams have been working diligently to achieve CMM level 4 by summer 2003.

NetSol management is very thankful to our product development team for bringing to the market a complete suite of ABF (Asset Based Leasing & Finance) enterprise solution called LeaseSoft. LeaseSoft is an integrated end-to-end solution for the lease & finance industry, a \$500 billion industry worldwide offering a tremendous opportunity for LeaseSoft to capture a market share over a short period of time. The Application software business within the ABF business alone is a billion dollar business.

Due to several systems successfully implemented in Daimler Chrysler group in the Asia Pacific region, we are noticing a jump in demand for our products worldwide. The Company also launched its banking software in early 2002 by selling custom made applications to Citibank Pakistan and other companies within the Citigroup. NetSol has clearly positioned itself as a strong products based company with over 60% of revenues contribution, while 40% come from services. Management is very positive in its outlook towards new product and services sales in 2003 and beyond.

In 2002, most companies found it difficult to raise capital. NetSol's approach to raising capital was by encouraging insiders to exercise their stock options rather than waiting for the possibility of raising new capital in the public markets. Our employees and senior management demonstrated their dedication to the Company by exercising stock options worth over \$500,000, which is a combination of accrued compensation, loans and cash injected. Mostly, these were underwater options. We also raised approximately \$150,000 from existing shareholders by way of private placement. We are exploring the possibility of raising new equity-based capital from the emerging markets, without diluting shares of the parent company. We believe that we will be able to close these deals as early as the fourth quarter 2003, so we could adequately fund the Company for its expected growth. The Company is focused to grow organically by selling new licenses and services as well as by enhancing its product line. Our research and development group is actively exploring new products and ideas within our core business in the financial sector. However, we are also pursuing new alliances and relationships to further strengthen our business model and revenue stream.

Our stock price has been pretty much flat as we lacked both investor relations (IR) and public relations (PR) resources while the Company's management was focused on rebuilding the Company from the setbacks it underwent in 2001 and 2002. Throughout most of 2002, the markets were not responding. Recently, we initiated new IR activities. The stock seems to have a momentum lifting the stock price from low of \$0.05 (October 11, 2002) to a high of \$0.26 (November 19, 2002). We believe as we close some major new deals, our stock will respond more favorably and attract much wider investment audience. Nevertheless, we believe at this stage NetSol stock is grossly undervalued. Our strong product portfolio and demand, our growing blue chip customers base, our

---

Edgar Filing: NETSOL TECHNOLOGIES INC - Form DEF 14A

improving high quality standards, our low share price and our ability to adequately fund the Company from emerging markets makes NetSol a compelling long-term investment opportunity.

Shareholders with a long-term perspective, including the key founders, have always been able to feel good about NetSol's integrity. Our reputation starts with a strong, experienced Board of Directors and carries through to each and every employee, all of who are required to follow NetSol's standards of business conducts. Our legacy of protecting shareholder assets will not be compromised, no matter what the economic situation. Our business has been positioned to only take off from this point. Our courage and abilities have been tested many times in the past and we have come through each time.

We encourage you to vote your proxies or attend the shareholders meeting on February 7, 2003. Together, we will continue to build a Company that will increase in its value and be recognized as a leading software developer worldwide.

Sincerely,

/s/ Naeem Ghauri  
Naeem Ghauri  
Chief Executive Officer

/s/ Salim Ghauri  
Salim Ghauri  
President

/s/ Najeeb Ghauri  
Najeeb Ghauri  
Vice Chairman & CFO

Edgar Filing: NETSOL TECHNOLOGIES INC - Form DEF 14A

Dear Shareholders:

You are cordially invited to attend the annual meeting of shareholders of NetSol Technologies, Inc. to be held on February 7, 2003 at 10:00 a.m. local time at 24011 Ventura Blvd., Suite 101, Calabasas, California.

For overnight accommodations, the Hilton Garden Inn, telephone (818) 591-2300, address 24150 Park Sorrento, Calabasas, 91302, is within walking distance of the Company's offices. Other hotels near by are: Radisson Hotel, telephone (818) 707-1220, address 30100 Agoura Road, Agoura Hills, 91301; Hilton & Towers, Woodland Hills, 6360 Canoga Ave. Woodland Hills, Telephone (818) 595-1000.

Details of the business to be conducted at the annual meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

This is your opportunity as a shareholder to exercise your vote in the best interests of your Company. *Your board is recommending a number of new proposals to be voted upon in the annual meeting. Eight new directors are being nominated for elections and three new proposals are being submitted for voting. Your board recommends that you vote in favor of each of the nominees and vote For on each of the proposals.*

Whether or not you attend the annual meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to promptly vote and submit your proxy card in the postage paid envelope as soon as possible.

This has been another challenging year in the Company's history. NetSol has survived a number of unforeseen events during the year. We are looking forward to the next fiscal year as a period to rebuild the Company. Your participation in the annual meeting, via proxy or in person, is important and allows you a voice in determining the future of your Company. We will also report on the activities of the Company, and you will have an opportunity to submit questions or comments on matters of interest to shareholders generally.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the Company. We look forward to seeing you at the Annual Meeting.

Sincerely,

/s/ Naeem Ghauri

**Naeem Ghauri**  
Chief Executive Officer

NetSol Technologies, Inc.  
24011 Ventura Blvd., Suite 101  
Calabasas, CA 91302

---

Edgar Filing: NETSOL TECHNOLOGIES INC - Form DEF 14A

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held February 7, 2003 To The Stockholders of NetSol Technologies, Inc.:

The Annual Meeting of Stockholders of NetSol Technologies, Inc. (the Company ) will be held on February 7, 2003 at 10:00 a.m. local time at the Company s headquarters located at 24011 Ventura Blvd., Suite 101, Calabasas, CA 91302.

1. To elect directors, each to hold office for a term of one year ending in 2004 or when their successors are elected.
2. To ratify the appointment of Kabani & Company, Inc. as the Company s independent auditors for fiscal year 2003.
3. To ratify the 2002 Employee Stock Option Plan.

Only stockholders of record as shown on the books of the Company at the close of business on December 31, 2002 the record date and time fixed by the Board of Directors, will be entitled to vote at the meeting and any adjournment thereof.

By order of the Board of Directors  
NetSol Technologies, Inc.

/s/ Salim Ghauri

Salim Ghauri  
PRESIDENT

December 31, 2002  
Calabasas, California

TO ASSURE YOUR REPRESENTATION AT THE MEETING, PLEASE SIGN, DATE AND RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE WHETHER OR NOT YOU EXPECT TO ATTEND IN PERSON. STOCKHOLDERS WHO ATTEND THE MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON IF THEY DESIRE.

NetSol Technologies, Inc.  
24011 Ventura Blvd., Suite 101,  
Calabasas, CA 91302

---

**PROXY STATEMENT GENERAL INFORMATION**

**SOLICITATION OF PROXIES**

This Proxy Statement is furnished to holders of the common stock, par value \$.001 per share, of NetSol Technologies, Inc., a Nevada corporation (the "Company"), in connection with the solicitation by the Company's Board of Directors of proxies for use at the Company's Annual Meeting of Stockholders (the "Annual Meeting") to be held on February 7, 2003, at 10:00 a.m. local time at the Company's headquarters located at 24011 Ventura Blvd., Suite 101, Calabasas, CA 91302 and any and all adjournments thereof. The purpose of the Annual Meeting and the matters to be acted on there are set forth in the accompanying Notice of Annual Meeting of Stockholders.

The Annual Meeting has been called for the purpose of the following:

1. To elect directors, each to hold office for a term of one year ending in 2004 or when their successors are elected.
2. To ratify the appointment of Kabani & Company, Inc. as the Company's independent auditors for fiscal 2003.
3. To ratify the 2002 Employee Stock Option Plan.

The board will consider such other matters as may properly come before the Annual Meeting.

Preparing and mailing the Notice of Annual Meeting, Proxy Statement and proxy to stockholders of record as of the close of business on December 31, 2002, will make solicitations of proxies. These materials are expected to be first mailed to stockholders on or about January 10, 2003. The cost of making the solicitation includes the cost of preparing and mailing the Notice of Annual Meeting, Proxy Statement and proxy and the payment of charges made by brokerage houses and other custodians, nominees and fiduciaries for forwarding documents to stockholders. In certain instances, officers of the Company may make special solicitations of proxies either in person or by telephone. Expenses incurred in connection with special solicitations are expected to be nominal. The Company will bear all expenses incurred in connection with the solicitation of proxies for the Annual Meeting.

**VOTING AND REVOCATION OF PROXIES**

A stockholder giving a proxy on the enclosed form may revoke it at any time prior to the actual voting at the Annual Meeting by filing written notice of the termination of the appointment with an officer of the Company, by attending the Annual Meeting and voting in person or by filing a new written appointment of a proxy with an officer of the Company. The revocation of a proxy will not affect any vote taken prior to the revocation. Unless a proxy is revoked or there is a direction to abstain on one or more proposals, it will be voted on each proposal and, if a choice is made with respect to any matter to be acted upon, in accordance with such choice. If no choice is specified, the proxies intend to vote the shares represented thereby to approve Proposals No. 1 through 3 as set forth in the accompanying Notice of Annual Meeting of Stockholders, and in accordance with their best judgment on any other matters that may properly come before the Annual Meeting.

---



## **VOTING AT THE MEETING**

Only stockholders of record at the close of business on December 31, 2002 are entitled to notice of and to vote at the Annual Meeting or any adjournments thereof. Each share of Common Stock is entitled to one vote on the matters to be presented at the Annual Meeting.

A majority of the votes entitled to be cast on matters to be considered at the Annual Meeting, present in person or by proxy, will constitute a quorum at the Annual Meeting. If a share is represented for any purpose at the Annual Meeting, it is deemed to be present for all other matters. Abstentions and broker nonvotes will be counted for purposes of determining the presence or absence of a quorum. Broker nonvotes are shares held by brokers or nominees which are present in person or represented by proxy, but which are not voted on a particular matter because instructions have not been received from the beneficial owner. Under applicable Nevada law, the effect of broker nonvotes on a particular matter depends on whether the matter is one as to which the broker or nominee has discretionary voting authority.

A list of those stockholders entitled to vote at the Annual Meeting will be available for a period of ten days prior to the Annual Meeting for examination by any stockholder at the Company's principal executive offices, 24011 Ventura Blvd., Suite 101, Calabasas, CA 91302, and at the Annual Meeting.

### **(Proposal No. One)**

## **ELECTION OF DIRECTORS**

### **GENERAL INFORMATION**

The Bylaws of the Company provide that the Company is authorized to have up to nine directors, and that stockholders will elect the directors of the Company at each annual meeting. Directors are elected to serve a one-year term. Directors being elected at the Annual Meeting will serve until the Company's next annual meeting of stockholders, or until their successors have been duly elected and qualified. The Board of Directors does not contemplate that any of the persons it will nominate will be unable or unwilling to serve as a director. However, if that should occur, the Board of Directors when voting at the Annual Meeting may select the individuals named as the proxies reserve the right to substitute another person as.

The board is currently comprised of six members.

The eight nominees receiving the highest number of affirmative votes of the shares present in person or represented by proxy and entitled to vote for them, a quorum being present, shall be elected as directors. Only votes cast for a nominee will be counted, except that the accompanying proxy will be voted for all nominees in the absence of instruction to the contrary. Abstentions, broker nonvotes and instructions on the accompanying proxy to withhold authority to vote for one or more nominees will result in the respective nominees receiving fewer votes. However, the number of votes otherwise received by the nominee will not be reduced by such action.

---

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE DIRECTOR NOMINEES NAMED BELOW.

**INFORMATION REGARDING NOMINEES**

All nominees have consented to serve if elected, but if any becomes unable to serve, the persons named as proxies may exercise their discretion to vote for a substitute nominee. The stockholders have previously elected all director candidates, except Messrs. Caton and Burki. The name, age, business experience and offices held by each director nominee are as follows:

<u>Name and Age</u>	<u>Director Since</u>	<u>Position with the Company</u>
Najeeb U. Ghauri (48)	1997	Director, Vice Chairman, CFO
Irfan Mustafa (51)	1997	Chairman of the Board, Director
Salim Ghauri (47)	1999	President, Director
Naeem Ghauri (45)	1999	Chief Executive Officer, Director
Eugen Beckert (55)	2001	Director
Jim Moody (60)	2001	Director
Mark Caton (52)		Director
Shahid Burki (64)		Director

NAJEEB U. GHAURI has been a Director of the Company since 1997. Mr. Ghauri served as the Company's CEO from 1999-2001. Currently, he is the Chief Financial Officer, Secretary and Vice Chairman of the Company. During his tenure as CEO, Mr. Ghauri was responsible for managing the day-to-day operations of the Company, as well as the Company's overall growth and expansion plan. As the CFO of the Company, Mr. Ghauri seeks financing for the Company as well as oversees the day-to-day financial position of the Company. Prior to joining the Company, Mr. Ghauri was part of the marketing team of Atlantic Richfield Company ( ARCO ), a Fortune 500 company, from 1987-1997. Mr. Ghauri received his Bachelor of Science degree in Management/Economics from Eastern Illinois University in 1979, and his M.B.A. in Marketing Management from Claremont Graduate School in California in 1983. Mr. Ghauri is the Vice-Chairman of the Board of Directors and a member of the Compensation and Audit Committees.

IRFAN MUSTAFA has been the Chairman of the Board and a Director of NetSol Technologies, Inc. since the inception of the Company in April 1997. Mr. Mustafa has an M.B.A. from IMD (formerly Imede), Lausanne, Switzerland (1975); an M.B.A. from the Institute of Business Administration, Karachi, Pakistan (1974); and a B.S.C. in Economics, from Punjab University, Lahore, Pakistan (1971). Mr. Mustafa began his 14 year career with Unilever, Plc where he where he was one of the youngest senior management and board members. Later, he was employed with Pepsi International from 1990 to 1997 as a CEO in Pakistan, Bangladesh, Sri Lanka and Egypt. He came to the US in 1996-1997 to join the Pepsi Executive Development Program. Mr. Mustafa was relocated to Dubai as head of TRICON Middle East and North African regions. Pepsi International spun off TRICON in 1997. Mr. Mustafa has been a strategic advisor to NetSol from the beginning and has played a key role in every acquisition by the company. His active participation with NetSol management has helped the company to establish a stronger presence in Pakistan. Mr. Mustafa is a member of NetSol's Compensation and Audit Committees.

SALIM GHAURI has been with the Company since 1999 as the President and Director of the Company. Mr. Ghauri is also the CEO of Network Technologies (Pvt.) Ltd., (F/K/A/ Network Solutions (Pvt.) Ltd.), a wholly owned subsidiary of the Company located in Lahore, Pakistan. Mr.

## Edgar Filing: NETSOL TECHNOLOGIES INC - Form DEF 14A

Ghauri received his Bachelor of Science degree in Computer Science from University of Punjab in Lahore, Pakistan. Before Network Technologies (Pvt.) Ltd., Mr. Ghauri was employed with BHP in Sydney, Australia from 1987-1995, where he commenced his employment as a consultant. Mr. Ghauri was the original founder of Network Technologies (Pvt.) Ltd. in Pakistan, founded in 1996. Built under Mr. Ghauri's leadership Network Technologies (Pvt.) Ltd. gradually built a strong team of IT professionals and infrastructure in Pakistan and became the first software house in Pakistan certified as ISO 9001.

NAEEM GHAURI is the Company's current CEO. Mr. Ghauri has been a Director of the Company since 1999. Mr. Ghauri took over the position of CEO upon Mr. Najeeb Ghauri's resignation in August 2001 to date. In August 2001, Mr. Ghauri resigned from the board to concentrate on his new position as the CEO. At the Company's annual shareholders' meeting in 2002, Mr. Ghauri was elected once again to the Board of Directors. Mr. Ghauri served as the Managing Director of NetSol (UK) Ltd., a wholly owned subsidiary of the Company located in Milton Keynes, England from 1999-2001. Mr. Ghauri was responsible for the launch of NetSol eR, Inc. in Calabasas, CA as well as NetSolConnect in Pakistan. Mr. Ghauri is also the CEO for NetSol eR, Inc. Prior to joining the Company, Mr. Ghauri was Project Director for Mercedes-Benz Finance Ltd., a subsidiary of Daimler-Chrysler, Germany from 1994-1999. Mr. Ghauri supervised over 200 project managers, developers, analysts and users in nine European Countries. Mr. Ghauri earned his degree in Computer Science from Brighton University, England.

EUGEN BECKERT, was appointed to the Board of Directors in August 2001 to fill a vacancy and elected at the annual meeting of shareholders in 2002. A native of Germany, Mr. Beckert has been with Mercedes-Benz AG/Daimler Benz AG since 1973, working in technology and systems development. In 1992 he was appointed director of Global IT (CIO) for Debis Financial Services, the services division of Daimler Benz. In 1996 he was appointed director of Processes and Systems (CIO) for Financial Services of Daimler Chrysler in Asia-Pacific. His office is now based in Tokyo, Japan. Mr. Beckert is a member of the Compensation Committee.

JIM MOODY, was appointed to the Board of Directors in 2001. Congressman Moody served the United States Congress from 1983-1993 where he was a member of the Way & Means, Transportation and Public Works committees. Congressman Moody also served on the subcommittees of Health, Social Security, Infrastructure and Water Resources. After his tenure with the U.S. Congress, he was appointed as the Vice President and Chief Financial Officer of International Fund for Agriculture Development in Rome, Italy from 1995-1998 where he was responsible for formulating and administering \$50 million operating budget in support of \$500 million loan program as well as managing a \$2.2 billion reserve fund investment portfolio. From 1998-2000, Congressman Moody served as the President and CEO of InterAction, a coalition of 165 U.S. based non-profit organizations in disaster relief, refugee assistance and economic development located in Washington, D.C. From April 2000 to present, Congressman Moody serves as a Financial Advisor to Morgan Stanley in Alexandria, VA where he is responsible for bringing institutional, business and high net-worth individuals' assets under management. Congressman Moody also represents Morgan Stanley on the ATC Executive Board. Congressman Moody received his B.A. from Haverford College; his M.P.A. from Harvard University and his Ph.D. in Economics from U.C. Berkeley. Mr. Moody is a member of the Compensation and Audit Committees.

SHAHID BURKI had a distinguished career with World Bank in various assignments from 1974 to 1999. He was a Director Chief Policy Planning with World Bank from 1974-1981 and Director International Relations from 1981-1987. Mr. Burki was a Director China Development from 1987-1994 and Vice President Latin America with World Bank from 1994-1999. During this period he was invited by the government of Pakistan to be Finance Minister of Pakistan from 1996-1997. He was the CEO of a Washington-based firm EMP Financial Advisors from 1999-2002. Presently, he is the Chairman of Pak Investment & Finance Corporation. Mr. Burki has had a distinguished academic background and earned the most coveted Rhodes scholarship in 1963 at Oxford University in the U.K. He completed M.A. Honors in Economics at Oxford University in 1963. He also earned a Masters of Public Administration degree from Harvard University, USA in 1968. Most recently, he attended the Harvard Business School and completed an Executive Development Program in 1998. Being a prominent economist and banker, he has written several books including: *China's Communes* published by Harvard in 1969 and *Accelerated Growth in Latin America* published by World Bank in 1998.

MARK CATON has been the President of NetSol USA, a subsidiary of NetSol, since April 2002. Mr. Caton was the senior vice president and general manager of EPlus Corporation from 1997 to 2002, where he was responsible for the profit and loss as well as sale of all products and services. Mr. Caton managed a 550-member staff of business development, software development and administrative personnel. From 1997 to 1999, Mr. Caton was the Director and Business developer for Cisco Systems Capital. There, Mr. Caton, originated and funded over \$100 million in financing for the State of California, County of Los Angeles, UCLA, San Mateo County, NASA, San Diego County, State of Arizona, Clark County, State of Nevada and others. Mr. Caton graduated from University of California, Los Angeles in 1971 with a B.A. in psychology. Mr. Caton is a member of the UCLA Alumni Association Board of Directors where he also serves on the Finance and Audit Review Committee, Student Relations Committee, Faculty Relations Committee and Chancellors Associates.

Messrs. Najeeb Ghauri, Salim Ghauri and Naeem Ghauri are brothers.

---

**BOARD MEETINGS AND BOARD COMMITTEES**

The Company has a compensation committee and an audit committee. The audit committee had one meeting and compensation committee had two meetings during fiscal year 2002. The Company's board of directors had four meetings during fiscal year 2002.

**EXECUTIVE COMPENSATION**

GENERAL. The Compensation paid to the Company's executive officers is administered by the Board of Directors and consists of base salaries, annual bonuses, awards made pursuant to the Company's Incentive Plan. The following table summarizes the total compensation for each of the last three fiscal years awarded to, earned by or paid to the Company's Chief Executive Officer and four most highly compensated executive officers of the Company (other than the Chief Executive Officer) who were serving as executive officers at the end of Fiscal 2002 (the Named Executive Officers). At this time, the Company does not have a company-sponsored 401(k) retirement salary plan that is available to its employees.

**SUMMARY COMPENSATION TABLE**

Name and Principle Position	Fiscal Year Ended	Salary (1)	Bonus	Long Term Compensation Awards (2) Restricted Stock Awards (3)	Underlying Options/SARs (4)
Najeeb U. Ghauri, Chief Financial Officer, Secretary, Vice Chairman (a), Director	2002	\$120,000 (c)	-0-	10,000 (15)	425,000(13) 100,000(13) 500,000(13)
	2001	100,000	-0-	-0-	20,000 (5) 25,000(8)
	2000	100,000	-0-	-0-	100,000(6)(12) 150,000(7)
Naeem Ghauri, CEO, Director	2002	125,000 (c)	-0-	10,000 (15)	150,000(7) 300,000(9) 50,000(9) 100,000(9) 500,000(9)
	2001	125,000(d)	-0-	-0-	25,000(8) 20,000(5)
	2000	150,000	-0-	-0-	150,000(7) 150,000(7)
Salim Ghauri, President, Director	2002	100,000	-0-	10,000 (15)	350,000(14) 500,000(14) 100,000(14)
	2001	100,000	-0-	-0-	20,000(5) 25,000(8)
	2000	100,000	-0-	-0-	150,000(7) 150,000(7)
Syed Husain, COO, CFO (b)	2002	121,000	-0-	-0-	400,000(10)
	2001	100,000	-0-	5,000(10)	100,000(10) 50,000(10)
	2000	100,000	-0-	5,000(10)	50,000(10)
Rick Poole, Secretary, CFO, Corporate Controller (b)	2002	109,000	-0-	200,000 (11)	50,000(11)(12)
	2001	100,000	-0-	5,000 (11)	50,000(11)
	2000	100,000	-0-	-0-	40,000(11)(12) 40,000(11)

(1) No officers received or will receive any bonus or other annual compensation other than salaries during fiscal 2002, nor any benefits other than those available to all other employees that are required to be disclosed. These amounts are not inclusive of automobile allowances, where applicable.

## Edgar Filing: NETSOL TECHNOLOGIES INC - Form DEF 14A

- (2) No officers received or will receive any long-term incentive plan (LTIP) payouts or other payouts during fiscal 2002.
- (3) All stock awards are shares of Common Stock of the Company.
- (4) All securities underlying options are shares of Common Stock of the Company.
- (5) Includes options to purchase 20,000 shares of Common Stock of the Company granted to each Director of the Company for the 1999-2000 term at an exercise price of \$5.50, which vested at the end of the 1999-2000 term. Options must be exercised within five years after the September 1999 date of grant.
- (6) Includes options to purchase 100,000 shares of Common Stock of the Company granted to Najeeb Ghauri as an officer of the Company in February 2000 with an exercise price of \$21.00 per share, exercisable immediately from the date of grant. The options must be exercised within five years from the date of grant.
- (7) Includes options to purchase 150,000 shares of Common Stock of the Company granted under the Employment Contract between the Company and Employee at an exercise price of \$2.58, vesting in April 2000; and additional options to purchase 150,000 shares of Common Stock of the Company granted under the Employment Contract between the Company and Employee at an exercise price of \$3.58, vesting in April 2001.
- (8) For fiscal year 2000 - 2001, the Directors received options to purchase 25,000 shares of common stock of the Company under the Incentive and Nonstatutory Stock Option Plan. The options vest at the end of the director's term in December 2001, with an exercise price of \$5.50. These options were granted in October 2001.
- (9) The Company granted 350,000 options to purchase shares of common stock of the Company with an exercise price of \$0.15 on February 16, 2002 with 25% vesting each quarter. The Company granted 500,000 options to purchase shares of common stock of the Company to the Executive on February 16, 2002, with an exercise price of \$0.25 with a vesting of 25% each quarter. The Company granted 100,000 options to purchase shares of common stock of the Company on February 16, 2002. The options expire 24 months from the date of grant.
- (10) The options must be exercised within five years from May 2000. In October 2000, the Company granted 50,000 options to Mr. Husain as part of his compensation with an exercise price of \$5.00 per share. These options vest one year from the date of grant and expire in October 2004. In April 2001, 50,000 options were granted to Mr. Husain as part of his compensation with an exercise price of \$2.00 per share. These options vested immediately and they expire in April 2005. Mr. Husain received 5,000 shares of restricted common stock as part of his compensation package in both fiscal 2000 and 2001. Mr. Husain received 500,000 options with an exercise price of \$0.25 on February 16, 2002, which are included in his employment agreement dated April 22, 2002 as part of his compensation. They options vested immediately pursuant to Mr. Husain's Separation Agreement dated June 2002. On August 17, 2001, Mr. Husain was granted 100,000 options, which vested immediately, with an exercise price of \$0.25 as part of his compensation package.
- (11) Includes options to purchase 40,000 shares of common stock of the Company granted to Mr. Poole as part of his compensation in August 2000 with an exercise price of \$25.00 per share vesting one year from the date of grant. Includes 40,000 options granted to Mr. Poole as part of his compensation in October 2000 with an exercise price of \$5.00 per share vesting one year from the date of grant. Includes 50,000 options granted to Mr. Poole as part of his compensation in April 2001, vesting immediately with an exercise price of \$2.00 per share. Mr. Poole received 5,000 shares of restricted common stock as part of his compensation package in fiscal year 2001. 200,000 shares of rule 144 stock as part of Mr. Poole's compensation for his position as the CFO. The Company granted 50,000 options to Mr. Poole as part of his compensation package for the position of CFO in August 2001.
- (12) Such options have been forfeited or cancelled.
- (13) Includes options to purchase 425,000 shares of common stock with an exercise price of \$0.15, vesting 25% quarter from the date of grant of February 16, 2002 issued as compensation, expiring 24 months from the date of grant. Includes options to purchase 100,000 shares of common stock with an exercise price of \$0.50 issued as compensation, vesting 25% each quarter from the date of grant of February 16, 2002. These options expire 24 months from the date of grant. Includes options to purchase 500,000 shares of common stock with an exercise price of \$0.25, vesting 25% each quarter from the date of grant.
- (14) Includes 350,000 shares of common stock with an exercise price of \$0.15, vesting 25% each quarter from the date of grant of February 16, 2002. Includes options to purchase 100,000 shares of common stock with an exercise price of \$0.50, vesting 25% each quarter from the date of grant of February 16, 2002. Includes options to purchase 500,000 shares of common stock with an exercise price of \$0.25, vesting 25% each quarter from the date of grant.

## Edgar Filing: NETSOL TECHNOLOGIES INC - Form DEF 14A

(15) Each member of the board of directors received 10,000 shares of restricted rule 144 common stock of the Company for their services for fiscal year 2002.

- (a) Mr. Najeeb Ghauri took over as the Chief Financial Officer of the Company upon the resignation of Mr. Syed Husain on July 9, 2002.
- (b) Mr. Syed Husain was appointed Chief Financial Officer upon the resignation of Mr. Rick Poole on March 14, 2002. Mr. Poole served as the Chief Financial Officer of the Company from September 2001-March 2002.
- (c) The Company entered into the Employment Agreements with Executive on April 22, 2002 and Executive's salary was determined to be \$125,000 annually.
- (d) Mr. Naeem Ghauri's original employment agreement in 1999 provided him with a salary of \$150,000 annually. However, because of the Company financial situation, Mr. Naeem Ghauri voluntarily reduced his salary to \$125,000 annually.

OPTION EXERCISES AND HOLDINGS. The following table sets forth information concerning each exercise of a stock option during the fiscal year ended June 30, 2002 by each of the Named Executives and the number and value of unexercised options granted by the Company held by each of the Named Executives on June 30, 2002.

### AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

Name	Shares Acquired On Exercise (#)	Value realized (\$)	Number of unexercised options/SARs at FY-end (#) exercisable/ unexercisable	Value of Options/SARs at FY-end (#) exercisable(2)/ unexercisable
Najeeb Ghauri, CEO, CFO Secretary, Director (a)	388,885	\$27,221.95	\$636,115/0	\$63,611.50/0
Salim Ghauri, President, Director	361,080	25,275.60	588,892/0	58,889.2/0
Naeem Ghauri, CEO, Director	428,332	29,983.24	393,336/0	39,333.6/0
Syed Husain, COO, CFO (a)	100,000	7,000	500,000/0	50,000/0
Rick Poole, Secretary, CFO (a)	-0-	-0-	130,000/0	171,600/0

(2) The closing price of the stock at Fiscal Year End was \$0.10.

(a) Mr. Rick Poole resigned his position as the Secretary and CFO of the Company in March 2002, Mr. Syed Husain was appointed CFO and Mr. Najeeb Ghauri was appointed Secretary at that time. Mr. Syed Husain resigned his position as the COO and CFO of the Company, Mr. Najeeb Ghauri was appointed the CFO at that time.

### COMPENSATION OF DIRECTORS; THE 2001 STOCK OPTION PLAN

The Company may reimburse each director for out-of-pocket expenses incurred in connection with their attendance at meetings or their position as a director. In addition, the 2001 Incentive and Nonstatutory Stock Option Plan provides for the grant of stock options to nonemployee directors of the Company without any action on the part of the Board of Directors, upon the terms and conditions set forth in the 2001 Stock Option Plan. The exercise price of such options shall be equal to 100 percent of the fair market value of the Common Stock subject to the option on the date on which such options are granted. Each option shall be subject to the other provisions of the 2001 Incentive and Nonstatutory Stock Option Plan.

For the fiscal year 2002, the Directors received options to purchase 50,000 shares with an exercise price of \$0.15 to vest quarterly and 100,000 shares with an exercise price of \$0.50 to vest quarterly of the common stock of the Company under the Incentive and Nonstatutory Stock Option Plan. These options were granted in February 2002. In addition, each director was granted 10,000 shares of restricted rule 144 stock for their service and commitment to the Company during fiscal year 2002. The shares were granted on December 5, 2002.

### EMPLOYMENT AGREEMENTS

Effective April 22, 2002, the Company entered into an employment agreement with Najeeb Ghauri as Corporate Secretary. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either the Company or Mr. Ghauri. The agreement

## Edgar Filing: NETSOL TECHNOLOGIES INC - Form DEF 14A

provides for a yearly salary of \$125,000. The salary is to increase to \$150,000 per year at the time the Company reaches profitability for a full fiscal year. The agreement also provides for such additional compensation as the Board of Directors of the Company determines is proper in recognition of Mr. Ghauri's contributions and services to the Company. In addition, the agreement provides for option grants under the Company's employee stock option plan as follows (grant date of April 2002 for all 500,000 options, 25% vesting beginning of each quarter). Further, 200,000 additional options to be

---

granted upon the Company's achievement of \$9,500,000 in revenues and \$50,000 EBITA for the calendar year 2002.

Effective April 22, 2002, the Company entered into an employment agreement with Salim Ghauri as the President of the Company and Chief Executive Officer of the Company's Pakistan subsidiary. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either the Company or Mr. Ghauri. The agreement provides for a yearly salary of \$125,000. The salary is to increase to \$150,000 per year at the time the Company reaches profitability for a full fiscal year. The agreement also provides for such additional compensation as the Board of Directors of the Company determines is proper in recognition of Mr. Ghauri's contributions and services to the Company. In addition, the agreement provides for option grants under the Company's employee stock option plan as follows (grant date of April 2002 for all 500,000 options, 25% vesting beginning of each quarter). Further, 200,000 additional options to be granted upon the Company's achievement of \$9,500,000 in revenues and \$50,000 EBITA for the calendar year 2002.

Effective April 22, 2002, the Company entered into an employment agreement with Naeem Ghauri as Chief Executive Officer of the Company, and as Chief Executive Officer of NetSol eR. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either the Company or Mr. Ghauri. The agreement provides for a yearly salary of \$125,000. The agreement also provides for such additional compensation as the Board of Directors of the Company determines is proper in recognition of Mr. Ghauri's contributions and services to the Company. In addition, the agreement provides for option grants under the Company's employee stock option plan as follows (grant date of April 2002 for all 500,000 options, 25% vesting beginning of quarter). Further, 200,000 additional options to be granted upon the Company's achievement of \$9,500,000 in revenues and \$50,000 EBITA for the calendar year 2002.

Effective April 22, 2002, the Company entered into an employment agreement with Syed Husain as Chief Operating Officer of the Company, and as Chief Financial Officer of NetSol eR. The agreement is for a base term of three years, and continues thereafter on an at will basis until terminated by either the Company or Mr. Husain. The agreement provides for a yearly salary of \$121,000. The agreement also provides for such additional compensation as the Board of Directors of the Company determines is proper in recognition of Mr. Husain's contributions and services to the Company. In addition, the agreement provides for option grants under the Company's employee stock option plan as follows (grant date of April 2002 for all 500,000 options, 25% vesting beginning of quarter). Further, 200,000 additional options to be granted upon the Company's achievement of \$9,500,000 in revenues and \$50,000 EBITA for the calendar year 2002.

All of the above agreements provide for certain Company-paid benefits such as employee benefit plans and medical care plans at such times as the Company may adopt them. The agreements also provide for reimbursement of reasonable business-related expenses and for two weeks of paid vacation. The agreements also provide for certain covenants concerning non-competition, non-disclosure, indemnity and assignment of intellectual property rights.

Effective June 15, 2002, the Company entered into a Separation Agreement with Syed Husain. Mr. Husain would receive all of his salaries due to him up until the date of the Separation, all options owed to him would vest, and the Company would provide him with COBRA payments.

---



**COMPENSATION OF DIRECTORS**

Directors of the Company do not receive any cash compensation, but are entitled to reimbursement of their reasonable expenses incurred in attending Directors Meetings. Upon the full completion of each his term, each director will receive 10,000 shares of Rule 144 stock. In addition, the Company has granted each of its directors the following S-8 registered options:

(a) 50,000 stock options, exercise price of \$0.15, vested quarterly; and

(b) 100,000 stock options, exercise price of \$0.50 vested quarterly.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock, its only class of outstanding voting securities as of October 4, 2002, by (i) each person who is known to the Company to own beneficially more than 5% of the outstanding Common Stock with the address of each such person, (ii) each of the Company's present directors and officers, and (iii) all officers and directors as a group:

Name and Address	Number of Shares(1)(2)	Percentage Beneficially Owned
Najeeb Ghauri (3)	1,965,635	10.1%
Naeem Ghauri (3)	1,619,614	8.32%
Irfan Mustafa (3)	233,517	1.20%
Salim Ghauri (3)	1,718,746	8.83%
Jim Moody (3)	*	*
Nasim Ashraf (3) (4)	50,000	*
Eugen Beckert (3)	205,000	1.05%
Omar Atiq (3) (5)	1,520,816	7.82%
All officers and directors as a group (six persons)	5,742,512	29.5%

\* Less than one percent

(1) Except as otherwise indicated, the Company believes that the beneficial owners of Common Stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities.

(2) Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock relating to options currently exercisable or exercisable within 60 days of September 30, 2002 are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(3) Address c/o NetSol Technologies, Inc. at 24011 Ventura Blvd., Suite 101, Calabasas, CA 91302.

(4) Mr. Nasim Ashraf resigned his position from the Board of Directors as of September 24, 2002. Omar Atiq (130,516 common shares), Mr. and Mrs. Omar Atiq (840,300 common shares), Atiq LLC (250,000 common shares) and Profit Sharing Plan for Omar Atiq (300,000 common shares) own these shares.

#### **CERTAIN RELATIONSHIPS AND TRANSACTIONS**

On April 5, 2002, Naeem Ghauri loaned a total of \$25,000 to NetSol for working capital purposes. Because the Company was unable to pay the funds back, the Board agreed to allow the loan to be paid by using the \$25,000 as the funds to exercise options granted to Mr. Ghauri. Between April through June 2002, Naeem Ghauri made a loan to NetSol for working capital purposes in the amount of \$38,000 of which none of it has been paid. The loan does not bear any interest.

On April 2, 2002, Najeeb Ghauri loaned a total of \$25,000 to NetSol for working capital purposes. Because the Company was unable to pay the funds back, the Board agreed to allow the loan to be paid by using the \$25,000 as the funds to exercise options granted to the Mr. Ghauri. Between April through June 2002, Najeeb Ghauri made a loan to NetSol for working capital purposes in the amount of \$ 21,100 of which it has not been paid. The loan does not bear any interest.

Between May and June 2002, Salim Ghauri made a loan to NetSol for working capital purposes in the amount of \$22,500 of which none of it has been paid. The loan does not bear any interest.

The Company's management believes that the terms of these transactions are no less favorable to the Company than would have been obtained from an unaffiliated third party in similar transactions. All future transactions with affiliates will be on terms no less favorable than could be obtained from unaffiliated third parties, and will be approved by a majority of the disinterested directors.

#### **(Proposal No. Two)**

#### **RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS FOR FISCAL 2002-2003**

The Board of Directors has appointed Kabani & Company, Inc. Inc. ( Kabani ) as independent auditors of the Company with respect to its operations for fiscal year 2002-2003, and has further directed that management submit such appointment for ratification by the holders of the Common Stock at the annual meeting of Stockholders. In taking this action, the members of the Board considered carefully Kabani's reputation in providing accounting services to other public and private companies in the software and retail industries, its independence with respect to the services to be performed, its general reputation for adherence to professional auditing standards and the performance of Kabani during the audit of the Company's consolidated financial statements for fiscal 2002.

---

Stockholder ratification of the selection of Kabani as the Company's independent auditors is not required by the Company's Bylaws or otherwise. The Board, however, is submitting the selection of Kabani to the stockholders for ratification as a matter of good corporate practice. Therefore, there will be present at the Annual Meeting a proposal for the ratification of this appointment, which the Board of Directors believes is advisable and in the best interests of the stockholders. If the appointment of Kabani is not ratified, the Board of Directors will consider the matter of the appointment of independent public accountants.

The affirmative vote of holders of a majority of the aggregate voting power of Common Stock issued, outstanding and entitled to vote, present or represented at the Annual Meeting, a quorum being present, is required for the adoption of this proposal. Broker nonvotes with respect to this matter will be treated as neither a vote for nor a vote against the matter, although they will be counted in determining if a quorum is present. However, abstentions will be considered in determining the number of votes required to attain a majority of the shares present or represented at the Annual Meeting and entitled to vote. Accordingly, an abstention from voting by a stockholder present in person or by proxy at the meeting has the same legal effect as a vote against the matter because it represents a share present or represented at the Annual Meeting and entitled to vote, thereby increasing the number of affirmative votes required to approve this proposal.

THE BOARD RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KABANI & COMPANY, INC. AS THE COMPANY'S INDEPENDENT AUDITORS FOR FISCAL 2003.

**(Proposal No. Three)**

**PROPOSED ADOPTION OF THE 2002 STOCK OPTION AND AWARD PLAN**

At the Annual Meeting there will be submitted to stockholders a proposal to adopt the 2002 Stock Option and Award Plan (the 2002 Plan). The Board of Directors unanimously approved the adoption of the 2002 Plan on December 5, 2002. Adoption of the 2002 Plan is subject to the approval of a majority of the shares of the Company's common stock, which are present in person or by proxy and entitled to vote at the Annual Meeting. The following summary of the principal features of the amendments to the Plan is qualified in its entirety by the full text of the Plan, a copy of which is attached hereto as Exhibit A.

**Purpose**

The 2002 Plan is intended to increase incentive and to encourage stock ownership on the part of (1) employees of the Company and its affiliates, (2) consultants who provide significant services to the Company and its affiliates (consultants), and (3) directors of the Company who are employees of neither the Company nor any affiliate (nonemployee directors). The 2002 Plan also is intended to further the growth and profitability of the Company.

**General**

The 2002 Plan permits the granting of stock options, stock appreciation rights, restricted stock awards, performance units and performance shares (collectively, Awards) to eligible participants. The total number of shares of the Company's common stock available for Awards to be granted under the 2002 Plan will consist of the 10,000,000 shares. If an Award expires or is canceled

---

without having been fully exercised or vested, the unvested or canceled shares generally will be available again for grants of Awards.

#### **Administration of the 2002 Plan**

The 2002 Plan is administered by the Compensation Committee of the Company's Board of Directors (the Committee) along with the management. Subject to the terms of the 2002 Plan, the Committee has the discretion to determine the key employees and consultants who shall be granted Awards, the terms and conditions of such Awards, and to construe and interpret the 2002 Plan. The Committee also is responsible for making adjustments in Awards, the shares available for Awards, and the numerical limitations for Awards (including as to nonemployee directors) to reflect any transactions such as stock splits or stock dividends. The Committee may delegate its authority to a separate committee appointed by the Committee, but only the Committee can make Awards to participants who are executive officers of the Company. The Board of Directors may amend or terminate the 2002 Plan at any time and for any reason, but as required under Rule 16b-3, certain material amendments to the 2002 Plan must be approved by stockholders.

#### **Eligibility to Receive Awards**

Employees and consultants of the Company and its affiliates (i.e., any corporation or other entity controlling, controlled by, or under common control with the Company) are eligible to be selected to receive one or more Awards. The Company and its affiliates currently have approximately 245 employees. The actual number of employees and consultants who will receive Awards under the 2002 Plan cannot be determined because eligibility for participation in the Plan is in the discretion of the Committee. The 2002 Plan also permits nonemployee directors to elect to receive all or part of their annual retainer in shares of the Company's common stock, and provides for the automatic grant of stock options to nonemployee directors. Nonemployee directors are not eligible for any of the other Awards available under the 2002 Plan.

#### **Options**

The Committee may grant nonqualified stock options and/or incentive stock options (which are entitled to favorable tax treatment). The number of shares covered by each option will be determined by the Committee. The price of the shares of the Company's common stock subject to each option is set by the Committee. In addition, the exercise price of an incentive stock option must be at least 100% of fair market value on the grant date (110% of fair market value if the participant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its subsidiaries).

The exercise price of each option must be paid in full at the time of exercise. The Committee also may permit payment through the tender of shares of the Company's common stock already owned by the participant, or by any other means, which the Committee determines to be consistent with the Plan's purpose. Any taxes required to be withheld must be paid by the participant at the time of exercise. If the exercise price of an option is paid in shares, the Committee may provide that the participant will receive a new option covering a number of shares equal to the number of shares tendered to exercise the previously granted option (including shares used for tax withholding). The terms and conditions of the new option generally will be similar to the terms and conditions applicable to the exercised option, except that the new option will have an exercise price determined on the date of its grant.

---

Options become exercisable and terminate at the times and on the terms established by the Committee, but options generally may not expire later than 10 years after the date of grant.

**Restricted Stock Awards**

Restricted stock awards are shares of the Company's common stock, which vest in accordance with terms established by the Committee in its discretion. For example, the Committee may provide that restricted stock will vest only if one or more performance goals are satisfied and/or only if the participant remains employed with the Company for a specified period of time. Any performance measures may be applied on a Company-wide or an individual business unit basis, as deemed appropriate in light of the participant's specific responsibilities.

**Nonemployee Director Options and Stock**

All options granted to nonemployee directors normally will expire ten years after the date of grant. If a director terminates service on the Board prior to an option's normal expiration date, an option may terminate sooner than its normal expiration date, depending upon the reason for the termination. An option will terminate thirty days after termination of service for any reason other than death, disability or retirement (but not later than the original maximum term of the option).

**Nontransferability of Options**

Awards granted under the 2002 Plan may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the applicable laws of descent and distribution.

**Required Vote**

The adoption of the 2002 Plan requires the affirmative vote of a majority of the shares represented and voting, in person or by proxy, at the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ADOPTION OF THE 2002 STOCK OPTION AND AWARD PLAN.

**DEADLINE FOR SUBMISSION OF STOCKHOLDER PROPOSALS FOR 2003**

The Rules of the Securities and Exchange Commission permit stockholders of the Company, after notice to the Company, to present proposals for stockholder action in the Company's proxy statement where such proposals are consistent with applicable law, pertain to matters appropriate for stockholder action and are not properly omitted by Company action in accordance with the proxy rules published by the Securities and Exchange Commission. The Company's 2003 annual meeting of stockholders is expected to be held on or about January 15, 2004 and proxy materials in connection with that meeting are expected to be mailed on or about December 1, 2003. The Company on or before June 18, 2003 must receive stockholder proposals prepared in accordance with the proxy 11 rules.

---

FILINGS UNDER SECTION 16(A)

Section 16(a) of the Exchange Act requires the Company's directors and officers, and persons holding ten percent or more of a registered class of the Company's equity securities, to file reports regarding their ownership and regarding their acquisitions and dispositions of the Company's equity securities with the Securities and Exchange Commission. Officers, directors and greater than ten-percent beneficial owners are required by applicable regulations to furnish the Company with copies of any Section 16(a) forms they file.

Based solely upon a review of the copies of the forms furnished to the Company and written representations of the Company's directors and executive officers, the Company believes that the filings required and applicable to its officers, directors and ten-percent beneficial owners were complied with during fiscal 2002.

**Voting Procedures**

**Tabulation of the Votes:** The votes cast by proxy will be tabulated by American Stock Transfer & Trust Company.

**Effect of an Abstention and Broker Non-Votes:** A shareholder who abstains from voting on any of or all of the proposals will be included in the number of shareholders present at the meeting for the purpose of determining the presence of a quorum. Abstentions and broker non-votes will not be counted either in favor of or against the election of the nominees or other proposals. Under the rules of the National Association of Securities Dealers, brokers holding stock for the accounts of their clients who have not been given specific voting instructions as to a matter by their clients may vote their client's proxies in their own discretion.

**Auditors**

Representatives of Kabani & Company, Inc., independent accountants for the Company for fiscal 2002 and the current fiscal year will be present at the annual meeting, will have an opportunity to make a statement, and will be available to respond to appropriate questions.

**Other Matters**

The Board of Directors of the Company does not intend to present any business at the Annual Meeting other than the matters specifically set forth in this Proxy Statement and knows of no other business to come before the Annual Meeting. However, on all matters properly brought before the Annual Meeting by the Board or by others, the persons named as proxies in the accompanying proxy will vote in accordance with their best judgment.

It is important that your shares are represented and voted at the Annual Meeting, whether or not you plan to attend. Accordingly, we respectfully request that you sign, date and mail your Proxy in the enclosed envelope as promptly as possible.

A copy of NetSol Technologies, Inc.'s Annual Report on Form 10-KSB for the year ended June 30, 2002, which has been filed with the SEC pursuant to the Exchange Act, may be obtained without charge upon written request to Najeeb Ghauri, Secretary, NetSol Technologies, Inc., 24011 Ventura Blvd., Suite 101, Calabasas, CA 91302 or from the Internet at WWW.SEC.GOV from the SEC's Edgar database.

Dated: Calabasas, California, December 31, 2002

BY ORDER OF THE BOARD OF DIRECTORS

/S/ SALIM GHAURI  
Salim Ghauri  
President

---

Exhibits:

1. A copy of the 2002 Employee Stock Option Plan
-

NETSOL TECHNOLOGIES, INC.

2002 INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN

1. Purpose

This Incentive and Nonstatutory Stock Option Plan (the *Plan*) is intended to further the growth and financial success of NETSOL TECHNOLOGIES, INC., a Nevada corporation (the *Corporation*) by providing additional incentives to selected employees and consultants to the Corporation or parent corporation or subsidiary corporation of the Corporation as those terms are defined in Sections 424(e) and 424(f) of the Internal Revenue Code of 1986, as amended (the *Code*) (such parent corporations and subsidiary corporations hereinafter collectively referred to as *Affiliates*) so that such employees and consultants may acquire or increase their proprietary interest in the Corporation. Stock options granted under the Plan (hereinafter *Options*) may be either *Incentive Stock Options*, as defined in Section 422A of the Code and any regulations promulgated under said Section, or *Nonstatutory Options* at the discretion of the Board of Directors of the Corporation (the *Board*) and as reflected in the respective written stock option agreements granted pursuant hereto.

2. Administration

The Plan shall be administered by the Board of Directors of the Corporation; provided however, that the Board may delegate such administration to a committee of not fewer than three (3) members (the *Committee*), at least two (2) of whom are members of the Board and all of whom are disinterested administrators, as contemplated by Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (*Rule 16b-3*); and provided further, that the foregoing requirement for disinterested administrators shall not apply prior to the date of the first registration of any of the securities of the Corporation under the Securities Act of 1933, as amended.

Subject to the provisions of the Plan, the Board and/or the Committee shall have authority to (a) grant, in its discretion, *Incentive Stock Options* in accordance with Section 422A of the Code or *Nonstatutory Options*; (b) determine in good faith the fair market value of the stock covered by an *Option*; (c) determine which eligible persons shall be granted *Options* and the number of shares to be covered thereby and the term thereof; (d) construe and interpret the Plan; (e) promulgate, amend and rescind rules and regulations relating to its administration, and correct defects, omissions, and inconsistencies in the Plan or any *Option*; (f) consistent with the Plan and with the consent of the optionee, as appropriate, amend any outstanding *Option* or amend the exercise date or dates thereof; (g) determine the duration and purpose of leaves of absence which may be granted to optionholders without constituting termination of their employment for the purpose of the Plan; and (h) make all other determinations necessary or advisable for the Plan's administration. The interpretation and construction by the Board of any provisions of the Plan or of any *Option* it shall be conclusive and final. No

---



member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option.

### 3. Eligibility

The persons who shall be eligible to receive Options shall be key employees of or consultants to the Corporation or any of its Affiliates ( Optionees ). The term consultant shall mean any person who is engaged by the Corporation to render services and is compensated for such services, and any director of the Corporation whether or not compensated for such services; provided that, if the Corporation registers any of its securities pursuant to the Securities Act of 1933, as amended (the Act ), the term consultant shall thereafter not include directors who are not compensated for their services or are paid only a director fee by the Corporation.

(a) Incentive Stock Options. Incentive Stock Options may only be issued to employees of the Corporation or its Affiliates. Incentive Stock Options may be granted to officers, whether or not they are directors, but a director shall not be granted an Incentive Stock Option unless such director is also an employee of the Corporation. Payment of a director fee shall not be sufficient to constitute employment by the Corporation. Any grant of option to an officer or director of the Corporation subsequent to the first registration of any of the securities of the Corporation under the Act shall comply with the requirements of Rule 16b-3. An optionee may hold more than one Option.

The Corporation shall not grant an Incentive Stock Option under the Plan to any employee if such grant would result in such employee holding the right to exercise for the first time in any one calendar year, under all options granted to such employee under the Plan or any other stock option plan maintained by the Corporation or any Affiliate, with respect to shares of stock having an aggregate fair market value, determined as of the date of the Option is granted, in excess of one hundred thousand dollars (\$100,000). Should it be determined that an Incentive Stock Option granted under the Plan exceeds such maximum for any reason other than a failure in good faith to value the stock subject to such option, the excess portion of such option shall be considered a Nonstatutory Option. If, for any reason, an entire option does not qualify as an Incentive Stock Option by reason of exceeding such maximum, such option shall be considered a Nonstatutory Option.

(b) Nonstatutory Option. The provisions of the foregoing Section 3(a) shall not apply to any option designated as a Nonstatutory Stock Option Agreement or which sets forth the intention of the parties that the option be a Nonstatutory Option.

### 4. Stock

The stock subject to Options shall be the shares of the Corporation s authorized but unissued or reacquired Common Stock (the Stock ).

---

(a) Number of Shares. Subject to adjustment as provided in Paragraph 5(h) of this Plan, the total number of shares of Stock which may be purchased through exercise of Options granted under this Plan shall not exceed Ten Million (10,000,000) shares. If any Option shall for any reason terminate or expire, any shares allocated thereto but remaining unpurchased upon such expiration or termination shall again be available for the grant of Options with respect thereto under this Plan as though no Option had been granted with respect to such shares.

(b) Reservation of Shares. The Corporation shall reserve and keep available at all times during the term of the Plan such number of shares as shall be sufficient to satisfy the requirements of the Plan. If, after reasonable efforts, which efforts shall not include the registration of the Plan or Options under the Act, the Corporation is unable to obtain authority from any applicable regulatory body, which authorization is deemed necessary by legal counsel for the Corporation for the lawful issuance of shares hereunder, the Corporation shall be relieved of any liability with respect to its failure to issue and sell the shares for which such requisite authority was so deemed necessary unless and until such authority is obtained.

#### 5. Terms and Conditions of Options

Options granted hereunder shall be evidenced by agreements between the Corporation and the respective Optionees, in such form and substance as the Board or Committee shall from time to time approve. Such agreements need not be identical, and in each case may include such provisions as the Board or Committee may determine, but all such agreements shall be subject to and limited by the following terms and conditions:

(a) Number of Shares: Each Option shall state the number of shares to which it pertains.

(b) Option Price: Each Option shall state the Option Price, which shall be determined as follows:

(i) Any Option granted to a person who at the time the Option is granted owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power or value of all classes of stock of the Corporation, or of any Affiliate, ( Ten Percent Holder ) shall have an Option Price of no less than one hundred ten percent (110%) of the fair market value of the common stock as of the date of grant; and

(ii) Incentive Stock Options granted to a person who at the time the Option is granted is not a Ten Percent Holder shall have an Option price of no less than one hundred percent (100%) of the fair market value of the common stock as of the date of grant.

---

(iii) Nonstatutory Options granted to a person who at the time the Option is granted is not a Ten Percent Holder shall have an Option Price determined by the Board as of the date of grant.

For the purposes of this paragraph 5(b), the fair market value shall be as determined by the Board, in good faith, which determination shall be conclusive and binding; provided however, that if there is a public market for such stock, the fair market value per share shall be the average of the bid and asked prices (or the closing price if such stock is listed on the NASDAQ National Market System) on the date of grant of the Option, or if listed on a stock exchange, the closing price on such exchange on such date of grant.

(c) Medium and Time of Payment: To the extent permissible by applicable law, the Option price shall be paid, at the discretion of the Board, at either the time of grant or the time of exercise of the Option (i) in cash or by check, (ii) by delivery of other common stock of the Corporation, provided such tendered stock was not acquired directly or indirectly from the Corporation, or, if acquired from the Corporation, has been held by the Optionee for more than six (6) months, (iii) by the Optionee's promissory note in a form satisfactory to the Corporation and bearing interest at a rate determined by the Board, in its sole discretion, but in no event less than 6% per annum, or (iv) such other form