

# Popsicle Culture

*A thriving residential and business community in downtown Washington, DC has created a new model of what community really means. Solari Village resident C. Austin Fitts describes the scene and shares highlights of its Annual Report to Shareholders, outlining the difference that has made a difference.*

## C. Austin Fitts

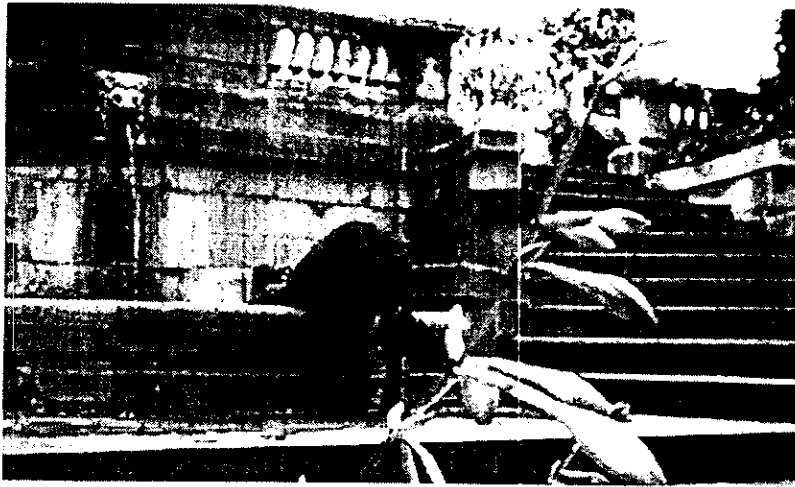
The Popsicle Culture is how we describe life in Solari Village. It started when the kids at the charter schools made a video on why the Popsicle Index was less than 100% and what the kids thought we needed to do. Popsicle Culture revolves that old tune "this little light of mine, I'm going to let it shine". Solari Village is a place where we would like each person to shine. Part of shining is being out doors. There is so much of what goes on in the Village around the stoops, the porches and the fountains. We have stoop ball, hopscotch, bottlecaps and bocchi and a new game that gets invented every day. There are many more fountains than there used to be, not just the big fountain on DuPont Circle that we love so much and where the Drummers Grove meets each Sunday. Part of shining is also the learning that seems to go on all the time everywhere. The drummers are teaching the kids to drum at the

**Popsicle Index = 100%**

***You can't walk down the street without seeing one person in the village teaching another person how to repair their bike, how the water system works, where the papers get delivered, how to get on line at the kiosks, how to change the contact instructions for each person on the Solari Village website, or how to play team bocchi ball.***

Drummers Grove; someone is always getting a chess lesson on the Circle; the book store is always packed with one seminar or book club after another. You can't walk down the street without seeing one person in the village teaching another person how to repair their bike, how the water system works, where the papers get delivered, how to get on line at the kiosks, how to change the contact instructions for each person on the Solari Village website, or how to play team bocchi ball. Part of shining is integration; having our spiritual, physical, intellectual and economic lives be one life in which what we believe and what we do to be useful live in harmony with each other. The best part of shining is having your neighbors care about you and be watching out for you. We are always passing each other ideas to help with our families, our customers, and those little things that make each day so special. So the "Pop" we get from Solari Village is not just the "Pop" on our stock but a "Pop" of our energy... the energy we get from having more time and living our dreams with people we love and respect.





***The Popsicle Index is the % of people in a place who believe that a child can leave their home, go to the nearest place to buy a popsicle, and come home during daylight safely. At Solari Village, we believe that The Popsicle Index is an important determinant of equity value of homes, businesses and our Solari Village B shares.***

## Solari Village

Executive Summary  
Report to Solari Village Corporation  
and REIT A & B Shareholders  
December 31, 2001

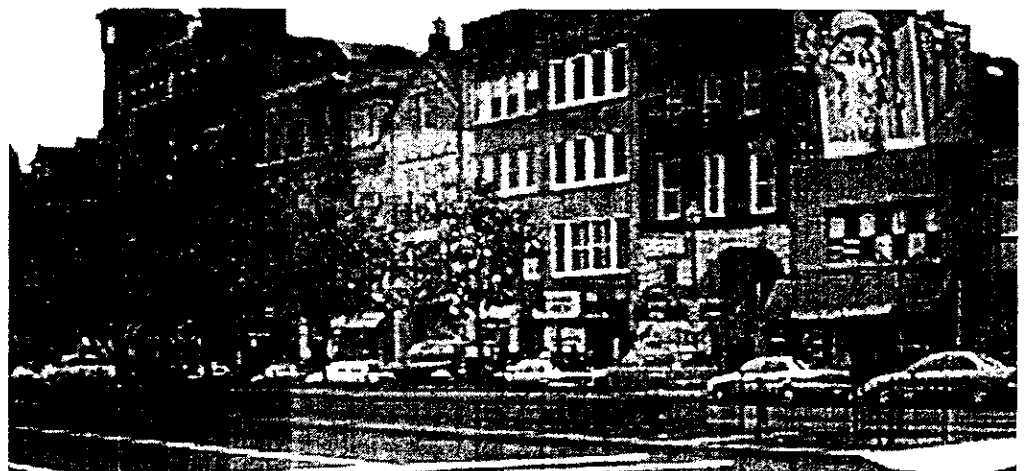
Solari Village is a community controlled corporation governed by residents and businesses in the Downtown Washington, DC area.

Solari Village A shareholders are voting shareholders; A shares are restricted to residents who live within the Solari Village boundaries. Solari Village B shareholders are non-voting shareholders who may or may not live within the Solari Village area. Both Solari Village Corporation and the Solari Village REIT are traded on the NYSE.

As of December 31, 2001 Solari Village and REIT B shareholders of record consisted of 56% residents and businesses within the Solari Village area. Of the remaining shares, an estimated 10% were owned by former residents and strategic partners with substantial sales and business dealings with Village companies, with the remaining amount owned by institutional investors.

The Popsicle Index goes to 100%. This year was an exciting one for the team at Solari Village. The Popsicle Index, our key performance indicator, reached 100% in October. That means that all the citizens who live within the Village believe that a child can leave their home and go to the nearest place to buy a popsicle and come home during daylight safely. When Solari Village was incorporated in 1999, the Popsicle Index was 35% and we valued our B Shares at a multiple of 10. Today, at a Popsicle Index of 100%, our Corporation Stock is trading in the 38-40X range. Our REIT is trading in the 15X range, and we believe is one of the reasons Solari Village has seen an increase in the homeownership rate to 73% with more than 50% of the commercial real estate now controlled by resident and resident businesses.

While we are pleased with the evolution of community on line access and tools, particularly the extent to which a substantial number of residents are developing and drawing from the Solari Village DataBank, this year we did not achieve the performance that we had hoped for in the learning and shared intelligence category. The primary reason was the loss in June of a team of five of the top teachers in the Solari Village charter school. This team was noted for both their contributions at the high school as well as continuous learning seminars accessed by all age groups within the Village.



We lost this team to a Solari Village affiliate in Baltimore who offered a substantial package of sign up bonus and stock options. While we appreciate the pressure not to engage in destructive competition with Solarians and our network, we were disturbed by the impact on our stock multiples of the announcement, and the extent to which the increase in the Baltimore affiliates multiples more than paid for the cost of recruiting our team.

#### Financial Report

We continue to experience steady growth of income, of which a portion represents non-recurring revenue.

1. "How the Money Works" tool kits continue to provide approximately 20% of Village corporate revenues, with steady performance from rap music, comic books and improv theatre productions. The majority of the purchases are communities learning how to improve quality of life and economics with the Popsicle Model.
2. Place based consumer coop opportunities are maturing as a revenues source. Many of the pricing and underwriting benefits on insurance, telecommunications and financial products and services have been captured as the Popsicle Index has risen to 100%. While substantial opportunities may occur as a result of opportunities to create community currencies with digital cash, these are slow to be realized as a result of substantial privacy issues and questions being resolved as part of our ongoing negotiation with taxing authorities regarding stranded municipal debt.
3. The strongest contributor last year to revenues was knowledge management services provided in connection with the introduction of new energy technologies to replace traditional sources of energy, with cold fusion "toasters" leading the way. Interest in environmentally sustainable technology continues. The venture is negotiating a number of investments, including a local franchise of the Hypercar company.

#### Solari Venture Network

We continue to work with Solarian business owners to enhance import/export ratios within the village and focus business on maintaining strong exports by focusing on core competencies. Imports have dropped substantially since the Y2K transformation during 2000-2002. Our core competency continues to be intellectual property such as law, accounting and the other information services that continue to build around the regulatory and communication functions in the DC area. We continue to work with schools, universities, institutions and workshop and seminar organizations to facilitate the highest quality of learning and literacy within Solari Village core competencies.

Our strategic partners effort in the venture area is working well and we would like to give special thanks to Solari, the equity investment manager that incubated Solari Village, and the many partners who have added tremendous input and support this year, including Cybercash, Visa, Rocky Mountain Institute, Foresight Institute, M.G. Taylor, Global Business Network, and Arthur Anderson and the Solari Analytics consortium of pension funds and equity investors.

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#### Landscaping, Design & Architecture

As Solari Village matures, we have become increasingly aware of the impact of Village design on real estate, business and stock valuations. Special thanks to Jay Craig and the landscape architecture team at our Birmingham affiliates who have developed the leadership export position among our affiliates for GIS neighborhood design and landscape architecture tools.

#### Culture: Music, Theatre, Art

The quality of culture continues to be a key component of quality of life and economic and educational life within Solari Village. This year we served as host to the Baptist, Pentecostal, Episcopal and Lutheran networks of gospel and evangelist website networks. Direct web marketing of music and spiritual videos and tapes continues to be an important activity for Solari Village and many of our affiliates in DC, Baltimore and Atlanta and continue to grow in significance in the exports to Europe, Asia and South America.

Street festivals and fairs continue to grow in number, including the weekly Drummer Grove on DuPont Circle. We are negotiating with Putamaya Records to host the World Music Neighborhood Sweepstakes Week in DC in the summer of 2008. If successful, Washington bands and musical groups will compete with groups from Africa, Europe, South America and the Caribbean throughout the week with winners rolling up into a "Top Dog" competition on the Mall.

We continue to receive royalties from the video of the 2002 release of the movie "The Pop". The Pop is a legal mystery/comedy by The Cohen Brothers about the squabble that led to the creation of Solari during the Y2K transformation. The movie is based on the best seller "How the Money Works" by Carolyn Betts and Janine Jones. The title

"the Pop" refers to a shorthand expression for the capital gains generated when stocks go public or experience rapid increases in value due to increasing multiples or net income. The debate around the "pop" focused Solari's introduction of the Popsicle Model, where consumers participate in capital gains generated by their purchasing decisions and small businesses can cooperatively access stock market capital through Neighborhood Stock Corporations and REITs.