

FUSA CAPITAL CORPORATION

(OTC BB:FSAC)

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Recent Price: **\$0.8000**
Target Price: **\$1.4000**
(12-month)

SPECULATIVE POSITIVE RATING

Main Headquarters

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A Pioneer in Multimedia Search Engine Technology

Company Overview

FUSA Capital Corporation (OTCBB:FSAC) is a leading innovator of video and audio search engine technologies for online and mobile consumers as well as digital content providers. FUSA operates SearchforVideo.com, a free web-based search engine and video portal that allows consumers to easily locate and view video clips as well as assist video iPod™ users to find content already formatted for use with their device. The company's proprietary technology draws upon millions of video clips from more than 10,000 independent sources.



FUSA CAPITAL CORP.

(all figures in millions)

52 Week Hi/Lo Range	3.83/0.77
Fiscal Year End	31-Dec
Shares Outstanding (3/31/2006)	59.28
Float (approximately)	NA
Share price (09/01/2006)	0.895
Market Capitalization	53.1
Average Volume (3 months)	0.053
Insider Ownership	NA
Institutional Ownership	NA
Enterprise Value	52.93
Total Long-Term Debt	0.000
Total Cash (06/30/06)	0.119

	12/2006	12/2007
	FY2006 E	FY2007 E
Earnings Per Share (EPS)		
Book Value (\$/share)	0.002	
	FY2006 E	FY2007 E
Total Revenue		2.400
Cost of Sales		
Gross Profit/Loss		
Operating expenditures		
Operating Loss /Profit		
Other income		
Income continuing operations		
Net Income		

NA = Not applicable/Not Available.

A = Actual Reported figures E = Estimates

Balance Sheet & Financial Statement Extracts (06/2006)

Current Assets	0.148
Current Liabilities	0.043
Total Assets	0.189
Total Accumulated Deficit	4.134
Total Shareholder's Equity	0.146

Capital Structure (as at 03-30-06)

Authorized Common Stock	500 000 000
Authorized Preferred Stock	5 000 000
Issued Preferred Stock	nil

- FUSA's main differentiator is its proprietary search technology designed specifically for multimedia content rather than repurposed text based search technology that accommodates multimedia content as an afterthought. The companies that will emerge winners are judged on how quickly they can find new multimedia content and the accuracy of the search results.
- Searchformedia, a division of FUSA Capital Corporation, is dedicated to helping content providers increase market awareness, acquire a more targeted audience and improve revenues. Its unique search results direct consumers back to the content owner's website before playing the content, enabling providers and media creators to build their own traffic and better monetize content.
- In October of 2005, searchforvideo.com was selected by USA Today as a "Hot Site". Searchforvideo.com has increased its user base dramatically over the past few months.
- The company has several partners with leading online video networks such as **EVTV1, Webtv, Atom films, Info.com, Addicting Clips** and collaboration with Discovery Communications who owns the content of the **Discovery Channel** networks.
- The company's proprietary technology draws upon millions of video clips from more than 10,000 independent sources.
- The company expects traffic to its website(s) to rise to a level it considers to be critical mass for the development of marketing relationships with other websites and for the generation of advertising revenue.
- Management believes that consumer's use of the FUSA search technology through these sites will provide FSAC with valuable data regarding actual consumer usage patterns for video and audio material on the Internet as well as catapult the company into the position of a leading search engine for audio and video.
- FSAC foresees being one of the leaders in multimedia search engine technology and has already done successful pioneering work that placed the company on the map. We believe that the company should be valued using an Enterprise value (EV)/EBITDA or PE-framework. We believe that the market may eventually assign a takeover premium to this company as its proprietary technology may be attractive to one or more of its larger competitors looking to grow and add multimedia to its search functionality. With a market capitalization in excess of \$50 million for a micro-cap company that has generated little historical revenues, it is clear that the market has high expectations for a bright future for FSAC. Despite low earnings and revenue visibility ahead of the point of reaching user critical mass; we set a 12-month target price of \$1.40 based on our pay-per-click model using our own traffic assumptions. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 10-12).

See Appendix A-1 for Analyst Certification and Important Disclosures.

THE COMPANY

FUSA Capital Corporation (**OTCBB:FSAC**) is a leading innovator of video and audio search engine technologies for online and mobile consumers as well as digital content providers. FUSA Capital Corporation, under the umbrella of SearchforMedia operates **SearchforVideo.com**, a free web-based search engine and video portal that allows consumers to easily **locate and view video clips** as well as **assist video iPod™ users to find content** already formatted for use with their device. The company's **proprietary technology** draws upon millions of video clips from **more than 10,000 independent sources**.

FUSA Capital Corp is headquartered in Seattle, WA and owns and operates the following 4 subsidiaries: **FUSAMedia, Searchforvideo, Searchforaudio and Searchformedia**. Searchformedia operates a network of multimedia search portals that generate awareness, audience and revenue for content providers. The core of its business is its **multimedia search technology** and the application of services for media companies. SearchforMedia Network is a leading video search company, powering one of the Internet's most comprehensive video search experiences available through a network of portals. The company's proprietary "learning" technology enables consumers to quickly find premium video content by removing search result links to files that are static, incomplete or broken. Its search results are unique in that they direct consumers back to the content owner's website before playing the content, **enabling providers and media creators to build their own traffic** and better **monetize** content. Being that this company is agnostic and that it drives traffic back to the publisher's site(s) allows traffic for the publisher to grow and hence is a reason why so many publishers want to be listed on the company's site.

FUSA's projected revenue streams will come from advertising revenue from www.searchforvideo.com and from technology and consulting licensing agreements to the enterprise market. FUSA's Revenue stream sources will include:

- **Advertising** – Its network of multimedia search portals is advertiser supported and offers targeted advertising opportunities through **premium paid placements, feature zones** and **click to buy programs**.
- **Hosted Solutions** – the company offers **hosted private label search solutions** for portals, content providers and ISP's.

On March 7, 2005, FUSA Capital entered into a merger agreement with FUSA Technology Investments Corp., a Nevada corporation (FTIC). The purpose of the merger was to provide value to existing FUSA shareholders by providing the Company with the opportunity to enter the emerging growth field of video and audio search engine technology. Specifically, as a result of the merger, FUSA has the opportunity to own, develop and market the incomplete video and audio search engine technology conceived by FTIC. This incomplete solution consisted primarily of the design requirements, specifications and know-how of CEO Jenifer Osterwalder, together with an evaluation copy of a partially completed prototype of the search engine. This solution was **soft launched in a beta format in September, 2005**. As a result of the merger, FUSA is now a technology company focused on the **development and marketing of audio and video search engine technology**. This technology has been completed and can provide a complete video and audio search engine solution, consisting of multiple modules.

The search engine solution modules will work together providing a **comprehensive video and audio search engine system to discover, scrape, index and generate metadata in RSS** (Really Simple Syndication) format for syndication to any Internet enabled device. **The search engine solution** can be deployed as a **stand-alone server for corporate use** or in a **cluster of servers in a high volume public search engine environment**. The company intends to market its search solution to companies who operate Internet websites with news, video clip, music and sports content. FSAC also intends to offer consumers search engine capabilities through the development of various internet sites based on the following URLs which FSAC already owns:

- * www.searchforvideo.com
- * www.searchforaudio.com;
- * www.searchfortv.com;
- * www.searchforipod.com;
- * www.searchfortivo.com;
- * www.searchformedia.com;
- * www.searchforpodcasts.com



The search solution of FSAC is fully functional and currently, the company has launched a beta version of its website www.searchforvideo.com. The company has also developed the [SearchForMedia Video Portal Server](#), which is a software suite and service that provides customers with a turnkey media search engine and portal solution. Customers can deploy and manage the software solution in-house or use any or all of SearchForMedia's design, content, advertising or hosted services. The technology FUSA Capital has created has given the company the opportunity to run and conduct its operations with extremely small staffing requirements that provides huge cost benefits.

Trading of FSAC common stock commenced on March 7, 2005 on the OTC Bulletin Board. FUSA has 59,276,071 shares of common Stock issued and outstanding which were held by 80 shareholders of record as of March 31, 2006. FUSA Capital was also approved for Trading on Frankfurt Stock Exchange which started on September 12, 2005.

FUSA SERVICES & SOLUTIONS

VIDEO CONTENT PROVIDER

The SearchforVideo network enables companies an innovative tool to distribute their content to reach their target audiences. The SearchforVideo content network has over 10,000 content providers to date. The network **views of video content and is growing exponentially every month**. Inclusion in the **SearchforVideo** content network gives the client exposure to a highly targeted audience actively searching for video including news, music, movies, sports, comedy, health, home improvement and hundreds of other categories.

The real benefit to companies who uses this media tool is to **drive viewers towards the company's content** as SearchforVideo network helps viewers to discover the video, but they always are pushed back to a destination of the client's choice to watch the video. Hence FUSA's client owns and controls the viewing experience and the advertising dollars associated with any video watched.

HOSTED SERVICES

SearchforMedia hosted services gets content to market in rapid fashion. With a turnkey search engine and portal solution, SearchforMedia hosted services helps clients create new markets and channels to monetize their content. Its proprietary search technology decreases content providers' time-to-traffic and provides the consumer with relevant, up to the minute search results.

SearchforMedia will provide turn key search engine and portal solutions, without involving the clients IT department. SearchforMedia will also design, develop and deploy under your brand and banner.

BRANDED DESKTOP SOFTWARE

Clients of the FUSA Capital now have a choice to **extend their brand(s) to the PC desktop**. Branded desktop software encourages a sense of community, exclusivity and loyalty to the clients' brand. The audience can share video, audio and text content in a completely secure environment. Clients can own a piece of the desktop and put your brand in front of your audience. The company can provide its audience with their own custom Mac, Windows or Linux desktop software where they can receive exclusive content and promotions directly from the client. It also enables the targeted audience to subscribe to custom content channels where they can receive branded video, audio and text information. This **software allows the client to push content exclusives, branded alerts and targeted advertisements straight to the desktop**.

MARKETING ACTIVITIES

FSAC's current marketing activities are focused on the **acquisition of additional users for the FUSA search portals**. This is accomplished primarily through the company's **internal SEO (Search Engine Optimization)** efforts, the purchase of Internet advertising on other websites and via the search for marketing/revenue share partners who will help the company to promote its portals. The company also has a team of business development personnel that contribute to its marketing activities.

Product Marketing Strategy

The company's **marketing plan** covers methods of:

- (1) **Driving Traffic:** driving traffic to the company's websites of consumers looking for audio/video content, which will enable the company to sell advertising on all FUSA sites.
- (2) **Gathering Data:** developing a valuable library of consumer usage data from its website that provides potential commercial licensors of the FUSA technology with current, cutting edge information about how their audio and video is being used by real consumers;

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(3) **Enterprise Sales:** using its technology and its collected user information to develop business alliance and customer relationships with major enterprises involved in the delivery of news, sports, music, entertainment and other audio and video content toward the licensing of the FUSA search solution by these enterprises.

- **Consumer Websites**

The company owns the following distinctive and easy-to-remember URLs:

www.searchforvideo.com; www.searchforaudio.com; www.searchfortv.com; www.searchforipod.com; www.searchfortivo.com; www.searchformedia.com and www.searchforpodcasts.com.

Management believes that these websites, when sufficiently promoted and advertised, will become attractive websites for consumers to find relevant audio and video content that meets their needs. The company believes it can increase traffic to levels considered to be **critical mass for the development of marketing relationships with other websites and for the generation of advertising revenue.**

Management believes that consumer's use of the FUSA search technology through these sites will provide FSAC with valuable data regarding actual consumer usage patterns for video and audio material on the Internet as well as **catapult the company into the position of a leading search engine for audio and video.**

This brand awareness and valuable consumer data will form the basis for discussions with enterprises. The company also believes that revenues can be achieved through advertising on and links through its consumer websites that could provide an additional source of revenue for FUSA Capital Corporation.

- **Enterprise Clients**

FSAC intends to distribute its complete audio and video search engine solution to enterprise customers who operate websites in the areas of news, video clips, music and sports. The company's method of distribution will be direct sales conducted in person by the chief executive officer as well as its chief technological officer and vice-presidents.

In September 2005, SearchforVideo was launched in beta for the first time, allowing users to access FUSA's powerful video search technology. The service was also made available to mobile devices. On September 22, 2005, there was a substantial upgrade to the Search for Video Beta site. On October 4, 2005, the beta version of the Search for Video desktop software tool was released. On December 13, 2005, the Search for Media Portal Server 2.0 was released. On January 25, 2006, Search for Video was given a substantial upgrade to Beta 2.0 status. On February 1, 2006, the Reel Time Lens™ feature, which allows customers to watch videos in real time videos being consumed by other viewers of searchforvideo, as well as the ability to watch videos, also in real time, that are being collected from other sites, was launched. On February 16, 2006, the SearchforIpod site was launched in beta.

On April 5, 2006, the SearchforIpod on-line video player, which helps viewers evaluate video clips for Ipod™ download, was launched.

MARKET OPPORTUNITY

Search has emerged as the No. 2 activity for Web users and multimedia **search is a rapidly growing segment of the online search space.** Traditional search technology companies of the past five years have **largely focused on indexing text content** and making that searchable for consumers. With the emergence of multimedia content including digital images, audio and video files on the Internet, there is a requirement for a new class of search technology provider that specifically focuses on multimedia content.

FUSA's main differentiator is its **proprietary search technology designed specifically for multimedia content** rather than repurposed text based search technology that accommodates multimedia content as an afterthought. The companies that will emerge winners are **judged on how quickly they can find new multimedia content and the accuracy of the search results.**

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FUSA's first consumer search engine, Searchforvideo.com finds online video content from over 10,000 public Internet sites as it is published and provides extremely relevant search results for any given keyword search. This gives consumers the confidence that they will find the most current online video search results from the broadest range of public Internet sources. Also of consequence, is that in October of 2005, searchforvideo.com was selected by USA Today as a "Hot Site". **Searchforvideo.com has increased its user base dramatically over the past few months.**

INDUSTRY & STRATEGY

While the search engine industry itself is a multi-billion dollar, global business, no reliable statistics are available on the size of the audio/video search engine industry. The most sophisticated, largest financed and most well known companies in the world compete in the search engine industry, which has tended to be dominated by **Inktomi, Yahoo, Microsoft, Lycos, Ask Jeeves** and more recently, by **Google**. Many websites are currently offering partially functional, beta versions of video and audio search that produce inconsistent results, as this technology has not yet been deployed on any large scale. While the search engine industry itself is robust, competitive and well developed, the **audio/video search engine industry is relatively new and uncharted.**

The search engine industry can really be divided into two separate industries. These are, broadly speaking, the **web portal/web service or consumer directed search engine tool** and the software based **enterprise licensed search tool**.

All search engines have in common their primary function of connecting people with useful information. This industry has functioned traditionally through three **primary revenue/business models, consisting of search portal advertising, keyword advertising and software solution sales.**

As the audio/video search engine business is just developing, it will **probably foster the development of additional revenue models**. For instance, relationships between audio search engines and music download services may provide a more direct model for search engine revenue than currently exists, meaning that music download sites may wish to sponsor audio search engines and then seamlessly integrate purchase capabilities for those search result songs which exist in their libraries.

Some of the largest, best-known and most technologically sophisticated companies in the world compete in the search engine space. **Google (GOOG), Yahoo (YHOO), Microsoft (MSFT) and Lycos are well-financed, established competitors in this space.** In addition, a number of start-ups have entered the audio and video search subspecialty within the search engine space. Many of these start-ups are better financed than FUSA Capital Corp is and may have established customer relationships.

Although FSACs' position is one of vulnerable, new entrant, management believes that the possibility of commercial success for the company exists in this field.

The company believes that its competitive position versus other new entrants to the space is strong because of the **flexibility, simplicity and ease of deployment of its technology** as well as its relatively **low overhead, anticipated responsiveness to customer demands** and its **expertise in the area of Real Simple Syndication** (an HTML programming language which is optimal for the deployment of this kind of search engine technology).

Methods of Competition

The methods of competition in the search engine industry tend to involve competition on the basis of speed, number of pages or data indexed, currency of metadata or indexed information, number of users, ease-of-use, downloads of embedded toolbars and search tools and range of deployment amongst affiliated websites. Search engines compete against each other by offering consumers higher quality, faster results and on ease-of-use and ease-of-access. They compete against each other for enterprise/OEM business by a demonstration of their results with consumers and the technological power of their solutions, as well as on price/value and featurization.

FUSA continues to embrace emerging Internet standards that enhance the multimedia search experience and working with several partners to improve the online multimedia and video search experience for users.

In September 2005, the company embraced **mRSS (media RSS)** as a way to accept and distribute content on its www.searchforvideo.com product. **mRSS has been spearheaded by Yahoo and is the emerging standard for syndicating multimedia content.** mRSS offers more metadata that is attached to content allowing for more relevant search results and an overall better user experience. Content owners can also submit their own mRSS feeds directly for inclusion on www.searchforvideo.com.

With companies like Yahoo spearheading the adoption of mRSS, consumers will likely embrace it and soon expect it when searching for multimedia content. FUSA's proprietary search technology now handles mRSS demonstrating its commitment to enhancing multimedia search. The market clearly shows a rapid increase in demand for multimedia search and mRSS provides users with enhanced ways to discover this type of content. By adding mRSS feeds combined with its proprietary technology, FSAC believes its users will have a superior search experience.

PARTNERS



RECENT DEVELOPMENTS

On August 30, 2006 the company announced it launched a new online viral video guide on its searchforvideo.com website, making it easier for SearchforVideo users to find these videos.

The term **viral video** refers to video clip content which gains widespread popularity through the process of Internet sharing, typically through email or IM messages, blogs and other media sharing websites. Viral videos are often humorous in nature and may range from televised comedy sketches such as Saturday Night Live's Lazy Sunday to unintentionally release amateur video clips like Star Wars kid. While the viral video phenomenon has occurred in a largely unstructured manner, a number of organizations are attempting to find marketing strategies that rely on the distribution of viral video, with mixed results.

Earlier in August the company also announced it has made available **enhanced video submission tools** for online publishers of video on its searchforvideo.com website. The new video submission tools can be used by anyone that is interested in submitting video content for review and inclusion in the searchforvideo index. There are now two ways video publishers can submit video content to searchforvideo, either through providing a direct link to an RSS feed or if a publisher does not have an RSS feed they can submit information about a single video or group of videos. Providing video submission tools ensures that video publishers can easily submit video feeds or video links to searchforvideo. It is a great way for FSAC to build its index and promote new video publishers at the same time

The company also recently broadened its functionality by launching a **German Language video search** that is bolstering traffic. International online video content is growing at a fast pace, search tools still typically focus on aggregating English language video and providing an English language interface. Users are looking for language-specific video search tools, and FSAC now offers them the **ability to search English, Spanish and German content** in those respective categories. FUSA Capital is building its services to become an international leader in online video search services regardless of language and the company is seeing its international user community growth picking escalating.

In July 2005, the company introduced **Searchforvideo 3.0**, a new website design across several popular video categories simplifying the discovery and viewing of free online video clips. Each video category displays more videoclips, video publishers and updates more frequently throughout the day as new video links are found and posted to the site. Due to the overwhelming popularity, FSAC decided to make its **Reel Time Lens™** available on every category page. The Reel Time Lens™ is a scrolling ticker tape that displays what videos are being watched by searchforvideo users as well as what video links are being added to the site in real time. It is a great tool to see what everyone is watching and what videos are popular.

In June 2006, FUSA Capital announced a **partnership with Discovery Communications**, to make their content even more searchable through searchforvideo.com. Users now have access to a world of high-quality, knowledge-rich programming as Discovery offers a broad range of the highest quality real-world content from across its family of networks that includes:

Discovery Channel, TLC, Animal Planet, Travel Channel, Discovery Health Channel, Discovery Kids Channel, The Science Channel, Military Channel, Discovery Times Channel, Discovery Home Channel, FIT TV, Discovery HD Theater, Discovery en Espanol, Discovery Travel & Living (Viajar y Vivir), and Discovery Kids en Espanol.

FINANCIAL STATEMENTS

The company filed Form 10-QSB with comprehensive financial information and operational discussion with the SEC with regards to financial performance and developments for the first 6 months of FY2006 on July 27, 2006. The company's fiscal year end is December 31. The company is considered a development stage company.

In the approximately 11 months of operation from February 9, 2005 (Date of Inception of present business) to December 31, 2005, (fiscal 2005) the company generated limited revenues of \$182 in interest and incurred a cumulative net loss of \$4,091,157. The company's loss resulted primarily from costs of stock-based compensation, start-up activities, including consulting fees and other general and administrative expenses. As noted by the Auditors, the company has limited operations and has only commenced planned principal operations as of February 9, 2005, which raises substantial doubt about its ability to continue as a going concern. FUSA does not currently have any customers or revenues. Due to the company's lack of any current revenue source, the company is dependent upon its ability to secure equity and/or debt financing. There are no assurances that the company will be successful in securing such funding. It is important to note that without additional capital, it would be unlikely for the FUSA Capital to continue as a going concern and it may be forced to terminate business operations.

For the first 6 months of FY2006 the company generated revenues of \$7,197. SG&A expenses were \$595,045 of which \$91,000 was advertising and marketing costs. The company reflected a negative R&D cost for the first 6 months of (\$548,495), which is unlikely to recur in the future. Following a charge of \$4,215 for depreciation and amortization the company reported total expenses of \$50,765 for the period ending June 30, 2006, resulting in a net loss of \$43,568 or \$0.00 per share.

Other noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

Liquidity and Capital Resources

The company believes that it has insufficient resources to support its operations for the next 12 to 18 months. This conclusion is based upon the fact that fixed costs for the company could be substantial in implementing its vision as currently contemplated. Although the company has indications from investors that they will invest in common stock of the company, there is no legal obligation for them to do so and such a financing may not occur. Currently, the company does not have sufficient resources to complete its plans without securing additional financing.

However, without realizing revenues, the company will face financial difficulties and need to raise additional capital. It is the intent of the company, in the next 12 months, to raise funds and then subsequently to generate revenues sufficient to operate and grow as a going concern. FUSA Capital Corp.'s audited financial statements clearly indicate concern on the part of the auditor as to the viability of the company as a going concern. If the company does not realize significant revenues in the near-term or does not secure additional capital, it may be difficult to continue operations. As at June 30, 2006 the company's cash balance stood at \$119,128 which was down from \$342,094 as at 31 December 2005. Of this cash amount there was a restricted cash portion of \$28,750 as at each date. The major reason for the cash burn during the first 6 months can be ascribed to an amount of \$732,000 of common stock that was previously issued for compensation that was subsequently cancelled. The loss from operations for the six months contributed a \$43,568 drag to the negative net operating cashflow for the first 6 months of FY2006 of \$865,732.

Research & Development Activities

FSAC will need to expend resources to continue to develop its audio/video search engine products. In addition, it may need to expend significant resources in customization or in meeting customer requirements as well as continuing to respond to competition and competitive developments in the market place. This development process will likely be continuous and on-going. In February 2006, all of the advances included as debt on the December 31, 2005 consolidated balance totaling \$985,133 were converted to equity through the issuance of a total of 1,073,507 shares of restricted common stock. During the period, the company issued 733,334 shares of common stock for proceeds of \$ 650,000. During the period, the company issued 10,000 shares of common stock for services rendered. The resulting value of stock compensation of \$14,000 has been included in SG&A expense and also included as a component of shareholders' equity as at June 30, 2006. In addition, the company cancelled 600,000 shares of common stock, which had previously been issued for services rendered. The previously recorded value of stock compensation of \$722,000 has been credited to research and development expenses and was included as component of shareholders' equity as at June 30, 2006.

Recent Sales of Unregistered Securities

Between March and April 2005, FSAC completed a private placement of 930,000 shares of common stock \$0.34 per share, which included an additional issuance of 930,000 warrants to purchase common stock. In February 2006, all of the advances included as debt on the December 31, 2005 consolidated balance totaling \$985,133 were converted to equity through the issuance of a total of 1,073,507 shares of restricted common stock. In February 2006, the company issued 400,000 shares of common stock for proceeds of \$400,000.

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RISK FACTORS / CONCERNS

The longer-term consistency of revenues and profit potential, remain uncertain and the future operating results may continue to fluctuate. The company's ability to execute against its stated business model is not yet fully proven. There can be no assurance that the company will be able to generate increased revenues through partnering agreements and other search and enterprise business revenues related to its proprietary multimedia search engine. FSAC may experience cash flow or liquidity issues as it continues to develop and market its business. If cash generated by operations is insufficient to satisfy the company's liquidity requirements, the company may be required to sell additional equity or debt securities.

The company has **heavy reliance on key executives**, the loss of which could have adverse results. The company has produced little revenue to date and is dependent upon only 2 operational websites and its proprietary technology, which is essential IP, and on the development and commercialization and introduction of search solutions and advertising. Reliance on laws covering trademark rights, U.S. federal registration rights and trade secret laws to protect its technology and trademarks may not be sufficient to protect this intellectual property and could have a material adverse effect on its competitive position. Costs to expand or to maintain its networks and technological infrastructure may exceed current projections and hurt future financial performance.

Search revenue the product of **Clicks times Price-per-Click** and, thus far in the industry's history, both have enjoyed consistent, impressive growth. If one of these two metrics starts to drop, overall revenue growth could stagnate, and then, ultimately, decline. To date the online search industry has grown at very impressive rates and demand for these services and the level of growth does not seem to show any signs of abating. Both market saturation and price pressure will occur naturally someday, as they do with every business and investors need be aware of this potential risk. A slowdown in demand and other industry performance measures could lead to these companies being **revalued from their growth-stock status category and this will result in earnings multiple compression.**

The industry has been scrutinized and may be further examined to determine the presence of **'click fraud'**. If Click fraud is not growing (if the search engines have it under control), then there is no reason for concern: It's just a cost of doing business that is already factored **into ROIs**. If fraud is growing, however, which seems likely, then the impact will eventually be felt in several ways:

Margin compression. The more "noise" in click results, the more it will cost search vendors to filter, serve, and analyze click streams, and provide compensatory refunds. The same price per click, in other words, will contribute less to the bottom line. **Higher monitoring costs for advertisers leads to lower ROIs and pressure on keyword prices.** Advertisers will not be able to rely on the search engines to monitor their clicks, so they'll have to pay for software, services, and employees to do it themselves. This will add to their costs and, therefore, hurt their ROIs. In a rational world, keyword prices will start trending down. (A start of this trend would include announcements like that from FTD on Friday: that online advertising costs were so high that they were no longer economically justifiable). **Current glamour and excitement about online advertising replaced with fear, uncertainty and disgust--driving dollars back offline.** If the search engines aren't quick enough to grant discounts and refunds, or if enough advertisers conclude that even the clicks they pay for contain a significant percentage of fraud, the search business could experience the same backlash that crippled the email business back in 2000--a backlash from which it is only now recovering.

The current cash position is likely insufficient to fund acquisitions, and if insufficient operating cashflow is generated in FY2007 it may hurt or limit the company's expansion plans. Despite FSAC's differentiated offerings, competition remains fiercely competitive, and FSAC faces opposition from larger and better-funded rivals. Increased competition could result in revenue goals not being achieved and lower penetration of target markets that will expansion plans, website launches, reduced revenues and margins, any of which could materially and adversely affect FUSA Capital Corporation's business, financial condition and results of operations.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of FSAC shares that would result in demand outstripping supply and result in an upward squeeze in the price given **the liquidity and daily trading volume. We caution that historical volume activity on FSAC has been erratic, but we are unable to forecast the direction of trading volume with any degree of certainty in the future.**

Major dilution of common stock can occur if company issues large blocks of common stock or stock options/warrants (should they exist) are exercised into common stock, that can negatively impact on the value of the shares either theoretically or if sold in the open market. In the event that such holders of preferred stock, warrants and options exercise their conversion rights, the holders of the common Stock then issued and outstanding may experience immediate and substantial dilution in the net tangible book value of their shares if earnings and other factors do not compensate for the increased number of shares of such common stock.

FSAC's common stock is listed on the OTC Bulletin Board. NASD and SEC Regulations covering rules on Penny Stocks apply for FSAC, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above mentioned and other risk factors are likely to be contained in future **SEC filings or Form 10-KSB.**

MANAGEMENT TEAM

Jenifer Osterwalder – President, Treasurer, CEO, Secretary, Principal Accounting Officer & Director.

Jenifer Osterwalder has served as Executive Officer, Secretary, Principal Accounting Officer and Director since March 7, 2005. From January 2005 to March 2005, Jenifer was employed by FUSA Technology Investments Corp of Vancouver, BC, Canada as President, CEO, Secretary and Treasurer and Director. From January 2000 to January 2005, Jenifer was a consultant to Five Seas Securities of Vancouver, BC, Canada holding a position of Investment Banker. From August 2004 to December 2004 Jenifer was a consultant to International Conference Services of Vancouver, BC, Canada holding the position as manager. From January 2003 to December 2003, Jenifer was a consultant to Terrikon Corporation of Vancouver, BC, Canada holding the position of Investment Liason and Marketing Director. Jenifer Osterwalder received her BSBA from Ohio State University of Columbus, Ohio Marketing and Logistics. Jenifer is responsible for ongoing corporate and strategic development initiatives. Jenifer has been helping private and public companies expand their markets and customer bases for over 10 years.

David Clarke – VP Business Development

David is responsible for SearchforVideo's content acquisition & partnerships, advertising sales and new business initiatives. The last 6 years has seen him in senior positions working with imaging & internet technology companies in the roles of Business Development, Sales and Brand Management.

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests that FUSA Capital Corp. is an interesting speculative play among micro-cap companies offering exposure to the investor on a fast evolving niche segment in online search that holds great promise of high growth. The investor enjoys the benefit of being able to partake in an opportunity to invest in a company that is has done pioneering work and has proprietary technology that appears to be an advanced tool for generating high quality search results for video and other multimedia searches vis-à-vis its competitors. FSAC provides a comprehensive vehicle to search for video over the Internet. Internal tests have shown that searchforvideo.com can aggregate content at a rate faster than its competitors and we expect that people using searchforvideo.com will find their content quicker and with more accurate results than its competitors. The company is very proud of this achievement and has taken the appropriate steps to protect this technology.

In the coming year, FSAC will seek to intensify its sales and marketing efforts, as well as seek further strategic partnerships, continue to build its technology and achieve enterprise customer wins. We anticipate the company will forge more alliances for broadening its online video and other media content. We see the pace of traffic growth to increase.

Both operating and financial risk involved in investing in young technology and online search companies are typically high and should be considered by investors. In this case the risks are tied mainly to the success of its marketing campaigns, systems infrastructure and ability to distinguish and differentiate itself from rival search engines offering solutions to advertisers and companies looking to reach target audiences online with their content. SG&A costs, development, marketing and other costs need to be managed well in order to bring its operating structure in-line to deliver consistent profitability and stabilize margins. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards clinching a meaningful slice of the online multimedia and video search engine market and break into the enterprise customer sector to generate revenue, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to FSAC should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind the proprietary technology and enterprise targeted solutions to be unlocked as new consumer awareness come to the fore and the company raises visibility and build brand recognition in its sector.

See Appendix A-I for Analyst Certification and Important Disclosures.

Short term we expect that the price of FSAC can recover from the low end of its 52 week hi-lo range, and bottom from a technical point of view and make AT LEAST either a 32.8 or 50% retracement of the recent downmove from the \$3.80 peak set earlier in 2006. We believe that the company is able to manage its organic growth and begin to generate meaningful revenues in FY2007, that will ultimately lead to spurring investor confidence, supporting present valuations and fuel price appreciation and aid share price performance.

One of the core reasons which is pivotal to our bullish argument for upside in FSAC, results from our interpretation of part of FUSA's SearchforMedia Network, SearchforVideo.com, that leverages both software intelligence and human editors to identify popular and entertaining videos. As the site aggregates freely available video links from over 10,000 public sources it contains millions of clips across a wide spectrum of genres and topics.

Additionally, the volume of content accessible through the Web site, including both content from top international publishers and emerging online video producers, continues to grow at a fast pace. The introduction of a video podcast directory will make it easier for users to discover new video podcasts and download them for viewing on a portable media device. We believe that the above factors will boost traffic numbers and create a platform and channel for future advertising revenues.

There are several types of users within the SearchforVideo community. Some are interested in watching traditional video on the web and others are interested in emerging video podcasts that can be downloaded and viewed on a portable media device like an iPod™. The video podcast directory will help this emerging audience find and take video with them wherever they go. Under the assumption that any further capital raising activity to finance its business expansion is well-managed to contain any further major I/O (issued and outstanding stock) increases and operating cash flow improve in FY 2007 as more progress is made to streamline and manage all the operations efficiently and meaningful revenue is generated we are of the opinion that FSAC stock has compelling upside potential.

Our view is that the shares are currently fairly priced on a peer comparison perspective in the absence of historic revenues, a high price to book value and other metrics, but is also not fully reflecting the expected positive financial improvements we expect in late FY 2007. The online search engine industry is very dependent on advertising and when evaluating future prospects for FSAC this is no exception.

Pay per click (PPC) is an advertising technique used on websites, advertising networks, and search engines. With search engines, pay per click advertisements, are usually text ads placed near search results; when a site visitor clicks on the advertisement, the advertiser is charged a small amount. Variants include pay for placement and pay for ranking. Pay per click is also sometimes known as Cost Per Click (CPC). While many companies exist in this space, Google AdWords and Yahoo! Search Marketing, which was formerly Overture, are the largest network operators as of 2006. MSN has started beta testing with their own PPC services, MSN adCenter.

Depending on the search engine, minimum prices per click start at \$0.01 (up to \$0.50). Very popular search terms can cost much more on popular engines. Abuse of the pay per click model can result in click fraud. PPC engines can be categorized in "Keyword", "Product", "Service" engines. However, a number of companies may fall in two or more categories. More models are continually being developed. Currently, pay per click programs do not generate any revenue from site traffic to sites using these programs. Only when visitors click on banner advertisements or pop-ups is revenue generated.

□ **Keyword PPCs:**

Advertisers using this bid on "keywords", which can be words or phrases, and can include product model numbers. When a user searches for a particular word or phrase, the list of advertiser links appears in order of bidding. Keywords, also referred to as search terms, are the very heart of Pay per Click advertising. The terms are guarded as highly valuable trade secrets by the advertisers, and many firms offer software or services to help advertisers develop these invaluable words.

As of 2005, notable PPC Keyword search engines include: Google AdWords, Yahoo! Search Marketing, GaZabo.com, LookSmart, Miva, which was formerly FindWhat, SearchFeed, Enhance (formerly Ah-Ha), GoClick, 7Search, Kanoodle, ePilot, Search123, Kazazz, Pricethat, Search FAST, ABCSearch and others. An industry of professional services firms that can assist advertisers in marketing their products and services on search engines has also developed. Many of these firms will be members of various trade bodies such as IABUK, SMA-UK and SEMPO, while other reputable firms have chosen to avoid these bodies, as many of them remain heavily biased toward the firms that first got together and founded them.

See Appendix A-I for Analyst Certification and Important Disclosures.

□ **Product PPCs:**

"Product" engines let advertisers provide "feeds" of their product databases and when users search for a product, the links to the different advertisers for that particular product appear, giving more prominence to advertisers who pay more, but letting the user sort by price to see the lowest priced product and then click on it to buy. These engines are also called Product comparison engines or Price comparison engines. Some of the PPC Product search engines are: JustCompareIt.com, BizRate, NexTag, PriceGrabber.com, Pricescan, Pricethat, Pricewatch, PriceLeap, Shopping.com, Shoptoit.ca

□ **Service PPCs:**

"Service" engines let advertisers provide feeds of their service databases and when users search for a service offering links to advertisers for that particular service appear, giving prominence to advertisers who pay more, but letting users sort their results by price or other methods. Some Product PPCs have expanded into the service space while other service engines operate in specific verticals. Examples of PPC services include NexTag, Pricethat, Varazo, SideStep, and TripAdvisor.

We have proceeded with our own independent calculation and application of the PPC-based model but do not show our calculations in this section. Even though this model incorporates several assumptions it serves us better for arriving at a valuation of FSAC stock (under these assumptions) as opposed to other traditional methods such as PE, EBITDA/EV or Price to Sales, or other models. These other models are unpractical given the early company life cycle and absence of revenues and earnings and low visibility of these going forward.

Given all these calculations and our bottom up analysis; which is more qualitative in nature, we set a 12-month target price for the security of \$1.40 per share. We believe further that there exists a future probability that cannot be dismissed that the company could be a takeover candidate if the technology it has developed proves to differentiate itself from existing search engine technology. This is likely to raise our fundamental valuation and/or target price beyond what we have specified in this report.

All factors considered, we anticipate a stake in FSAC clearly has compelling upside potential in the coming 12 months and that is risk adjusted and absolute returns will outpace that of the broad market as measured by the S&P 500 index as benchmark. We HIGHLIGHT to the reader that this forecast is made under the assumption that the company can achieve certain monthly user milestones to its website and also achieve the majority of the goals to further its business plan. To summarize, we would argue that the share price and corresponding market capitalization is undemanding if the company is able to dominate the multimedia search engine space or alternatively capture a major slice of it with a larger competitor. The possibility exists that the company may trade at a rich market capitalization relative to earnings and revenues compared to peers in its industry if the market assigns a premium that can be ascribed to takeover possibility if a larger search engine operator decide to acquire the company for its proprietary technology rather than go through an R&D process to compete with a rival.

The dynamics of the OTC-BB is unlikely to consistently support true valuations based on financial performance and in many cases the prices respond 'after the fact' rather than 'ahead of the fact'. Hence, successful companies listed on the OTC-BB often handsomely reward investors if they are able to deliver and exceed expectations.

Given these factors and under assumptions used in our Pay-per-Click (PPC) model, we initiate coverage on FSAC with a SPECULATIVE POSITIVE rating. The rating assumes that the covered company will deliver returns that outperform that of the broad market (as measured by the S&P 500 index) by 25% or more over the next 12 months.

Risk to our recommendation include amongst other: failure of sales and marketing efforts to its targeted customer base and agreement of partnership contacts to offer content to users, a slowdown in growth and demand for online search and multimedia related searches or inability to attract users to its searchforvideo.com and other websites can lead to FSAC missing our revenue forecasts and other future revenue stream assumptions.

New competition in this niche market segment or pricing and competitive pressures or failure to maintain or establish differentiation of its superior search and advertising and enterprise offerings, any stringent or bold unforeseen regulatory changes impacting adversely on current and/or prospective market segments that FSAC conduct their business in, any inability to obtain necessary financing from capital markets when needed, to achieve its goal of capturing a its targeted share of the multimedia online search engine market or lack of capital available to pursue acquisitions, expand and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

Any failure to retain qualified staff and talented sales force, management and engineers and IT professionals can restrict future business activity and hurt operations and financial performance, the inability to achieve revenues in the future that depends in significant part upon managements ability to build upon existing and cement new relationships with partners to leverage its online video and other media presences with the brand, and low penetration of new enterprise and other markets can hamper share price performance. As a result, any cancellation, reduction or delay in the pursuit of future scheduled plans may materially adversely affect the business, financial condition and results of operations and additional risk factors that could adversely affect the attainment of our share price target include: general economic conditions and a variety of factors that is outside the control of the company. Reduced capital spending budgets by FSAC's customers or online search activity, a drop in pay-per-click pricing caused by an unanticipated industry downturn or a major contraction in the online search and advertising industry in general, albeit unlikely can lead to soft demand for FSAC's products, which can resulted in decreased revenues, earnings levels or growth rates.

We would caution that given the size of the company (micro or nano-cap security) and risks involved, overall we advise private client positions be limited below 5% of the client's total portfolio size.

COMPANY LOCATIONS:

Head Office:

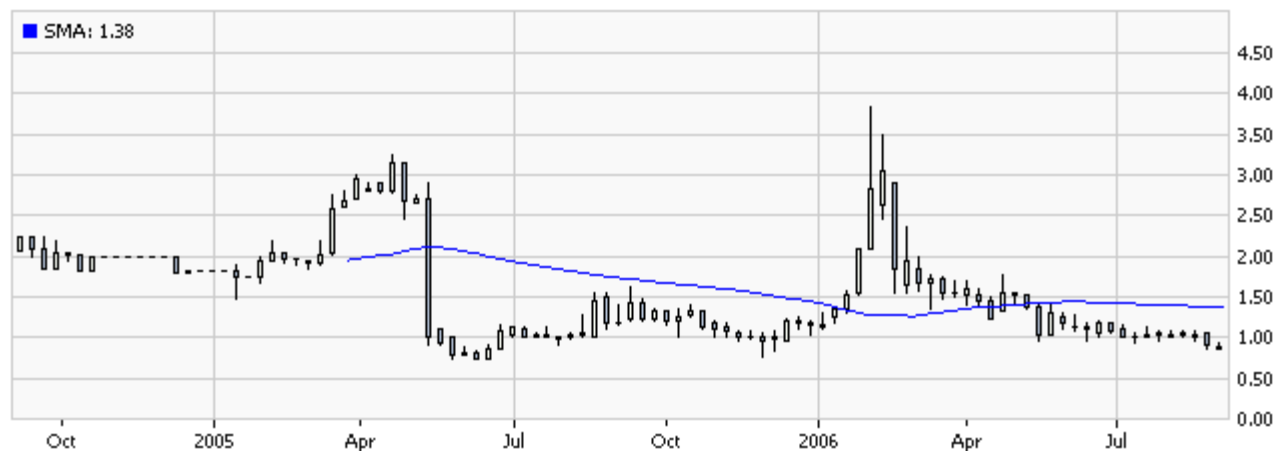
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Website: www.searchformedia.com

Development Office:

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See Appendix A-1 for Analyst Certification and Important Disclosures.



ANALYST CERTIFICATIONS

APPENDIX A-1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report.

Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the company's rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

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