

# New Trends in Technology

EMERGING COMPANIES & SPECIAL SITUATIONS RESEARCH

## INDEPENDENT INVESTMENT REPORT



**NavStar Technologies, Inc.**

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## Keeping a Watchful Eye on the World's "At Risk" High-Value Cargo...

*...is one of the most difficult and challenging issues faced by transportation companies, small governments, and trade businesses across the globe.*

*Particularly within parts of Central and South America, as well as in Asia, emerging nations have been unsuccessful in creating secure distribution routes for trucking fleets, trailers, and other valuable goods in transit. Visibility into the condition and whereabouts of assets "on the move" is limited. Vehicles are often hijacked. Theft of freight is a common occurrence. The safety of delivery drivers is questionable at best.*

*With insurance in these areas unobtainable or too expensive to justify, many operators in "at risk" countries have elected to harness the powers of wireless, location-based technology to better monitor their valuable assets and high-value cargo, while improving efficiencies, and increase the likelihood of asset recovery when faced with potential loss.*

*They have demanded that the marketplace fill a known void. They want and need solutions and services that promote safer, more manageable transport in the areas of highest risk.*

*Finally, the right solution has arrived, right where it is needed most...*

### **Executive Summary**

*Founded in 2003, NavStar Technologies, Incorporated is a rapidly-growing provider of asset tracking products and services in the United States and in emerging countries around the World.*

*The Company's current structure is the result of the July 2008 merger of NavStar, a wireless tracking software application provider, and Argo Navigation (also founded in 2003), an industry leader in the design and*

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*development of asset tracking hardware. The combined Company is now focused on developing technologies that address an immediate need for tracking and monitoring “at risk” assets, including vehicles, trailers, and valuable cargo, in addition to establishing de novo markets for tracking people and pets.*

*Synergies between NavStar and Argo have been leveraged to maximize management and technological strengths in select high-value regions and to take advantage of explosive growth in demand for Location Based Services (LBS). The Company will pursue “first to market” opportunities by offering some of the industry’s most advanced asset tracking and theft recovery solutions in concentrated, strategic geographies, and by introducing annuity-based software services that complement its renowned line of products and hardware.*

*NavStar Technologies, Incorporated is seeking \$2.0 million of structured debt financing to execute on its business plan and extend its global outreach. A variety of funding structures are available.*

## **Use of Funds**

Funds will be used to support the manufacturing of current products; to launch a focused marketing and sales effort and be “first to market” in several emerging (high value) geographies; to finance the acquisition of a software services Company and drive a recurring revenue model; to achieve product certification in new countries; and, to assist with the development of new products/technologies to track non-vehicle assets, people, and pets.

## **Management**

NavStar Technologies, Inc. is backed by an exceptional management team entrenched in the telecommunications and wireless industries:

- **Douglas Pritt** – *Chairman & Chief Executive Officer*. Mr. Pritt has more than three decades of management experience in the telecommunications industry, including roles as President and CEO of OnFiber Communications, Senior VP of Business Development at Sprint PCS, and various senior level management positions at Lucent Technology.
- **Jason Shin** – *President & Chief Technology Officer*. Mr. Shin has served as Argo’s Chief Executive Officer and President since January 2003. Prior to founding Argo, he managed one of Interstate Electronics’ most important military GPS programs and also established Axiom Navigation, where he served the role of President and CEO.
- **Patrick Bannister** – *Chief Financial Officer*. Mr. Bannister possesses over twenty years of experience in the Technology and Financial Services spaces and has managed the Finance, Accounting and Operations of small and mid-sized business in various industries.
- **Charles LaRue** – *Chief Scientist and Advisor*. Mr. LaRue has worked for many aerospace companies including Lockheed, ITT Gilfillan, Teledyne, and Litton. He has assisted in developing airborne radar systems, avionics operating and maintenance software, graphics software, aircraft simulation, and IFF systems.

## Key Investment Considerations

- ✚ **Immediate Market Opportunity** – There is tremendous unmet demand for technologies that track and provide information on high value assets, particularly in developing nations where economic stability is key to fostering trade. The need for safer ground transportation in these regions has prompted players in the trucking and delivery industries to invest heavily in devices that ensure “real-time” monitoring of their vehicles and cargo. This translates to tens of thousands of fleets in service - and millions of vehicles – with potential interest in NavStar solutions.
- ✚ **Fully-Developed Technology Platform** – NavStar has developed a fully-functioning, customizable asset management suite that addresses the specialized needs of trucking fleets and can be programmed to work anywhere in the world. With the hardware and software platform already in place, the Company can direct its initial efforts on penetrating the marketplace and on delivering immediate revenue opportunities to its investors.
- ✚ **Superior Functionality and Quality at Competitive Prices** – NavStar’s core product and major short-term focus, the Vehicle/Asset Tracker (VAT), can be custom-tailored to cover everything from vehicle/asset location, to remote vehicle diagnostic services, to stolen cargo tracking and recovery. This is a sharp contrast to “commoditized” solutions with limited functionality and small feature sets. Additionally, the Company boasts a near zero percent return rate on existing units and offers its system at price points that meet or beat alternative technologies.
- ✚ **Over 20,000 Units Sold** – NavStar has already demonstrated the cross-market appeal and viability of its technologies via the sale of more than 20,000 units worldwide. The Company now has devices “in the field” in South America, Mexico, and China, and it has generated over \$4 million in revenues since inception.
- ✚ **“First to Market” Niche Focus** – NavStar has pinpointed its primary marketing and distribution focus on Mexico, Latin America, and South America, geographies where demand is surging and where few – if any – companies are selling asset tracking products. The resultant combination of high pent-up demand and virtually no competition leaves NavStar well-positioned to quickly dominate its targeted markets.
- ✚ **Decades of Product Development and Management Experience** – NavStar’s executive team is comprised of seasoned industry veterans with more than four decades of relevant experience. Additionally, the Company has attracted some of the industry’s most knowledgeable and talented hardware, software, and systems integration engineers.
- ✚ **Huge Sales Pipeline and Order Backlog** – NavStar currently has LOIs and commitments in place for the sale and distribution of more than 150,000 units of its Vehicle/Asset Tracker (VAT) in countries including Mexico, Ecuador, Canada, Italy, Columbia, Peru, Korea, and Japan. The value of this backlog alone is projected to be worth over \$30 million in product revenues.
- ✚ **Efficient, Global Network of Partners and Distributors** – NavStar has established a network of local governments and leading in-country distributors to market and sell its asset tracking products. Such a strong network will allow the Company to overcome cultural hurdles and language barriers and rapidly drive sales as it expands into new areas. Ultimately, NavStar’s contacts are expected to mature into major commercial partnerships.

- ✚ **Existing, Scalable Manufacturing Relationships** – Strong overseas manufacturing relationships have been established over the past five years to drive down costs and increase product margins. These relationships have proven to be highly reliable, and NavStar’s existing manufacturers have sufficient capacity to support coming growth phases.
- ✚ **Growing Interest Among Fleet Managers** – Trucking companies have expressed increasing interest in software applications, citing vehicle location, remote diagnostics and stolen vehicle tracking as 3 of their “Top 5” list of desired features. NavStar’s Vehicle/Asset Tracker (VAT) satisfies more of their desired features (3) than any other product in its class.
- ✚ **Ability to Quickly Cultivate and Transition into a Recurring Revenue Model** – In conjunction with the sale of its current products and services, NavStar is actively working to acquire an annuity-based software company to provide subscription software service to its client portfolio. This is anticipated to provide a huge stream of monthly recurring service revenues and create enormous long-term, sustainable value. Recent announcements indicate the acquisition will occur in August 2009, and its successful completion is projected to add nearly \$50 million to the top line and approximately \$20 million in accretive earnings over the next 5 years.
- ✚ **New Markets Created from Technology Improvements** – Recent improvements in wireless asset tracking technology, such as extended battery life, circuitry miniaturization/compression, enhanced network connectivity and data communication have quickly spawned growth in new markets that go far beyond vehicle tracking and are potentially worth billions of dollars. NavStar is prepared to aggressively pursue these markets once it obtains adequate funding.
- ✚ **Trillions of Dollars of “At Risk” Cargo in Transport** – In the countries and regions NavStar plans to direct its focus, millions of trucks transport trillions of dollars worth of uninsured cargo each year. Insurance companies refuse to provide coverage in these areas because asset theft is commonplace and loosely controlled. This places even greater emphasis on technologies that help to track, monitor, and recover goods of value. In countries like Mexico, trucking companies are actually required by law to install asset tracking devices in every new vehicle put into service.
- ✚ **Other Valuable Assets** – Although NavStar’s platform is currently in use for the tracking and monitoring of fleet vehicles, the technology is easily expandable to other types of assets like trailers, heavy equipment, cargo beds, and anything else of value in transport. The Company is also working to develop a series of wearable products geared at tracking people and pets. Such a wide range of applications provides for unmatched flexibility and creates a “New World” for the wireless tracking/monitoring market.
- ✚ **Flexible, Adaptive Platform** – The technologies that NavStar provides are unique to the needs and geographic locations of each respective user. Rather than offering a “one size fits all” solution, the Company’s products are designed to work with all Location Based Service (LBS) applications and can be tailored to suit insurance purposes and accommodate various types and sizes of assets. The Company’s technology also has proprietary programming that eliminates many of the data communication issues faced by competing products and services.
- ✚ **Financial Guarantee Bond Available to Secure Repayment of Investment Funding** – NavStar has access to a unique bond that will enable it to secure the repayment of money raised during investor funding. This considerably reduces the risk of making an investment in the Company.
- ✚ **Ground-Floor, Undervalued Investment** – Prospective investment in NavStar Technologies, Inc. is

timely. The Company is poised for explosive growth, yet values will be temporarily suppressed as NavStar financially restructures. This should command investor attention.

## Market Overview

The Location-Based Services (LBS) business sector is one of the fastest growing subsets of the wireless industry. In the United States alone, the sale of fixed and handheld devices for tracking vehicles is at a current annual run rate of more than 18 million units, according to ABI Research, with compound annual growth rates (CAGRs) projected at more than 30% per year for the next five years. For fleet management, automatic vehicle location (AVL), telematics, and mobile resource management (MRM) – the main segments NavStar plans to penetrate – the market is forecasted to be worth more \$3 billion per year globally (Frost and Sullivan).

NavStar will direct its sales efforts on addressing the unique demands of the trucking, delivery and services industries. This includes large fleet operations, government-managed public transportation services, and small businesses that require the means to track and monitor their vehicles and high-value assets. More specifically, the Company will target these markets in regions where competition is thin or non-existent and where risky environments create the greatest need (i.e. Central and South America, Asia, etc.) for asset tracking solutions.

Today, only 10% of the fleet vehicles in the US have Vehicle/Asset tracking device installed. In countries outside the US the penetration rate is 5% to 8%. In the US alone there are 20 million fleet vehicles, 5.1 million trailers, nearly 2.0 million heavy equipment units, 25 million field and service technicians and 20 million containers. Vehicle/Asset tracking is a \$3.0B business worldwide at today's meager penetration rates. By 2011 it is expected to grow to \$5.0B. Growth is attributed to:

- Increased recognition of tracking/monitoring benefits
- Worker productivity
- Administrative efficiency
- Reliable and affordable data communications
- Increased availability of wireless coverage

There are 10 to 12 million fleet vehicles in Latin America. Brazil (4.3M) and Mexico (2.0M) are the two countries with the largest number of fleet vehicles.

NavStar estimates that 50% of their unit sales in the next 5 years will be from Latin American countries. This represents ½ of 1% of the vehicles in Latin America. There is a huge upside in the current financial projections.

It is important to note that there are literally millions of vehicles in service in “at-risk” geographies that (historically) have not had access to asset tracking technology, either because adequate network connectivity is unavailable and/or because vendors have a limited sales presence in these same areas.

Such countries comprise the greatest opportunities for NavStar to penetrate the marketplace and establish a leadership position.

**Mexico** – The US Department of Transportation (DOT) reported that the number of trucks entering from Mexico surpassed 11 million vehicles annually and this figure does not include the millions of vehicles that operate strictly within Mexico's borders. Trucks account for the majority total trade between the United States and its two largest trading partners, Canada and Mexico.

**China** – According to the National Bureau of Statistics and the China Association of Automobile Manufacturers, the sale of heavy trucks in China reached 487,500 trucks in 2007, up 58.64% over 2006. As of mid-2008, sales stood at 380,100 trucks, up 48.38% year on year.

Other countries including Ecuador, Venezuela, and Korea are also experiencing tremendous growth in ground transportation and are ripe for asset tracking solutions.

## News

*NavStar Technologies, Inc. is actively marketing its solutions to prospective partners, distributors, and trucking fleets. Since late 2008, the Company has landed contracts and agreements worth more than \$50 million in revenues over the next several years and is on the eve of implementing its planned recurring revenue model:*

### ***Jun. 9, 2009***

NavStar announces its intent to acquire an annuity-based services company to complement its product offering. N. Douglas Pritt, Chairman and CEO, confirmed that negotiations are underway with three privately held firms; it is expected that a Letter of Intent will be announced NLT than June 30, 2009 with the commensurate acquisition to be completed by August 1, 2009. The acquisition will provide NavStar with software services revenue that is being renewed by customers annually for 3 to 5 years. The annuitized revenue provided by these software services provides a significant boost to revenue and profitability, particularly within Latin America.

### ***Jun. 1, 2009***

NavStar announces partnership with Haengbok Cha to provide asset tracking equipment to Japan. The partnership is expected to generate \$2 million of revenue in the first 12 months and calls for a minimum commitment of 10,000 units purchased per year.

### ***Apr. 15, 2009***

NavStar signs a Development and Manufacturing Agreement to jointly develop products and services to monitor and track pets in the US. The first product slated for development, the Pet Tracking Device, will notify the owner when their pet has exceeded a predetermined boundary. Once it is determined that the pet is lost the device on the pet's collar will display on a map the exact location of their missing pet. The multi-year agreement is exclusive and can be expanded to countries outside the US.

### ***Feb. 22, 2009***

NavStar announces an exclusive multi-year sales and distribution agreement with Global Fire & Tech Inc. (GF&T) covering Mexico, Central America, South America and the Caribbean. GT&T will leverage their existing experience in Mexico to distribute and sell the NavStar vehicle tracking system. NavStar estimates the value of this agreement at more than \$30M over the next 3 years.

### ***Dec. 3, 2008***

Mexico's number one security provider, Grupo Diamante, selects NavStar's Fleet Management System (FMS) for field trial in Mexico. The initial purchase order for 100 trial units is the first step toward the purchase of 10,000 units in the next 12 months. Management expects the deal to be worth \$2.0M.

*Nov. 11, 2008*

Fixed Equipment S.A., Ecuador provides first sales order for 4,033 units of the Vehicle/Asset Tracker. This initial purchase will partially satisfy the 15,000 units slated for the Ecuador Government Transportation Agency. The Agreement is projected to generate \$4.5 to \$6.0M of hardware and services revenue for NavStar Technologies, Inc.

## **Product Overview**

NavStar's product suite consists of both a hardware and software platform designed to facilitate the tracking, monitoring, and recovery of assets in transit. At present, NavStar generates the majority of its revenues via the sale of hardware and leverages a third-party software provider to install/integrate custom firmware. NavStar is actively seeking to acquire a software services company to accelerate the addition of recurring service revenue to its current hardware revenue.

### **Vehicle/Asset Tracker (VAT) – Immediate Revenue Opportunity**

The Vehicle/Asset Tracker (VAT) is NavStar's flagship product and one of the primary short-term revenue opportunities for the Company and its investors over the next twelve to eighteen months. Its purpose is to track vehicles and high-value cargo for small to large trucking fleets.

NavStar's Vehicle/Asset Tracker (VAT) works by providing position information for real-time location and mapping it against digital mapping software or satellite imagery. This provides fleet managers with real-time status updates and allows them to determine the exact location of their vehicles/assets at any moment in time. NavStar web-based software complements these features with the ability to summarize and report on vehicle performance and efficiency.



*Vehicle/Asset Tracker (VAT) is the “backbone” of the company’s product portfolio. Over 20,000 units have been sold in 4 countries around the world. The device contains a GPS module, a communications module and has the ability to monitor and provide data on up to 8 individual sensors in a vehicle or other high value asset.*

# NavStar Technologies, Incorporated (NVSR.PK)

The VAT-G and VAT-C Mobile Unit (MU) provides an integrated 12-channel GPS receiver and digital communication modem in a compact, industrial-grade enclosure.

Features include:

- All digital GSM GPRS and CDMA 1X solution
- Up to 16 Inputs and Outputs
- Geofence capabilities
- Speed and Excessive Idle alert
- Panic switch
- Real time Poll and Response
- Low power
- Internal Rechargeable Backup battery
- Solar panel support
- Over the Air (OTA) configuration programmable
- Many more ...

Most importantly, the Vehicle/Asset Tracker (VAT) has transformed what is typically a commodity service into fully customizable solution. Each client is able to select a supported software platform, choose from a menu of optional functions, and create a feature set specifically tailored to its needs.

Once NavStar completes the planned acquisition, the Company will be able to structure 3-5 year software service contracts with its customers and capture monthly, recurring service fees for the software utilized by the Vehicle Asset Tracker (VAT).

## Clear Competitive Advantages

NavStar's Vehicle/Asset Tracker (VAT) is superior to competitor products across a number of categories:

### Asset Tracking Competitors

	NavStar	Numerex	SkyPatrol	Trimble
Both GSM and CDMA available	•			
Backup Rechargeable Battery	•	•		
Comprehensive I/O up to 16 Input and Outs	•			
Power Consumption saving	•	•		
Peripheral Device Support (with MDT)	•			•
Voice and Data	•			•
Flexible Configuration (with OTA)	•			
Battery powered unit available	•	•	•	•
Trailer Unit (with alternate power)	•		•	•
Data Logging when Communication is out	•		•	•
Tracking Software Server *	•	•		
Handheld Tracking unit (person/pet)	•			•
HW unit Price	\$200	\$200	\$250	\$300

## **Addition of Annuity-Based Software Services – Long-Term Value Proposition**

Among the most notable developments in the NavStar business model is the planned acquisition of a software Company in August 2009. Instead of outsourcing its software services to a third-party (the current business model), NavStar will be able to complement its hardware sales with an ongoing, monthly revenue stream for the provision of web-based technologies that interface with “in use” physical devices.

This subscription-based approach is expected to quickly gain traction as NavStar deploys additional hardware to customers in Latin America and in other target regions. Distribution partners will market newly-acquired software solutions in conjunction with existing product offerings to deliver a “one-stop-shop” for asset tracking needs. Several Latin American customers/governments have already indicated under binding Letters of Intent a desire to acquire the Company’s products and services.

Customers who operate their devices on NavStar’s full-feature software platform will sign renewable, 3-5 year service contracts for access to a host of functions designed to maximize the utility of the Vehicle/Asset Tracker (VAT). For the Company and its investors, this ultimately represents tens of millions of dollars in recurring, annuity-like cash flows each year and the ability to sustain high growth rates.

## **R&D Direction / Product Evolution**

As NavStar builds presence in the marketplace, the Company plans to migrate its product development from vehicles to other types of asset tracking. In particular, NavStar has identified two major markets which it plans to address: 1) Portable Asset Tracker (PAT), and 2) Person/Pet Tracker (PPT).

### **Portable Asset Tracker**

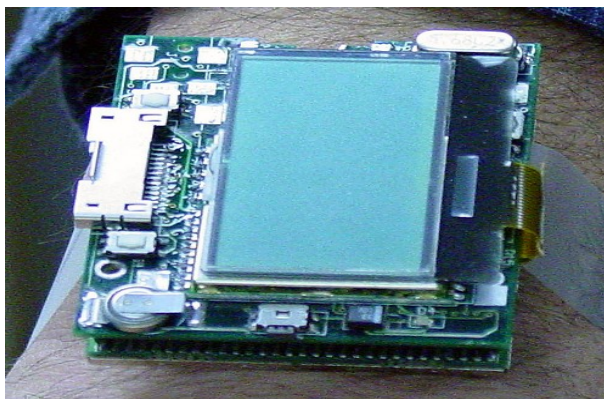
NavStar has been able to leverage improvements in wireless technology to create a new tracking device that is smaller and more compact than its Vehicle/Asset tracker (VAT). This product will enable the Company to track and monitor other high value assets like trailers, heavy equipment, and anything else of value.



*NavStar’s Portable Asset Tracker (PAT) Tracker is slated for roll-out in early 2010 and is packed with features including optional LCD display, automatic time zone adjustments, panic button, hardware reset, geofencing, scheduled reporting, and voice capabilities.*

## Person/Pet Tracker

Management expects the tracking of people and pets will be the next major market in the wireless monitoring segment. The Company is in the process of developing wearable versions of its technology to be used on domesticated animals and on demographic groups where tracking is valuable (aging, special needs, etc.).



*Slated for roll-out in early 2010, the Personal/Pet Tracker (PPT) is about the size of a business card, weighs less than five ounces, and has extended battery life. This highly portable unit can be worn or carried and can immediately begin reporting location data when it is powered on.*

## Marketing and Distribution

Sale of devices and services will occur primarily via a robust Dealer/Partnership network in each of the countries NavStar markets. This partnership approach ensures the greatest possible outreach and minimizes the costs of maintaining a large internal sales force. The Company will utilize mature Application Service Providers (ASPs) within its dealer network to provide complete hardware/software solutions to its clients.

NavStar will also adopt an Original Equipment Manufacturer (OEM) strategy for clients/regions where software solutions already exist. In such instances, the focus will be hardware-only sales that are fully compatible with the feature sets of established platforms.

The current geographic footprint already includes the United States, Canada, Italy, Mexico, South America, and Japan.

## Customer and Partner Portfolio

NavStar has conducted business with some of the largest players in Latin and South America markets, as well as select customers in the United States, Canada, Europe, and Asia. This list of partnerships, clients, and distributor relationships continues to grow:

**Fix Equipment S.A. Group (Ecuador)** – Relationship is in place for the sale of the Vehicle/Asset Tracker (VAT) box and the optional Mobile Display Unit (MDT) to Ecuador’s Public Transportation System.

**GF&T (Mexico, South America)** – Global Fire & Tech, Inc. has direct access to the largest distribution network in Mexico. Mexico recently passed a law that requires all new vehicles to have tracking and monitoring devices starting in 2009. NavStar and GF&T are positioned to leverage this requirement.

**Terra Innovations (Canada / Italy)** – Distribution agreements are completed for both Canada and Italy. An initial trial is underway in Canada with a major carrier and former president of the Canadian Truckers Association. In Italy, the customer focus is an insurance company with the goal to reduce stolen vehicles while lowering their customers’ insurance rates.

**NavMex (Mexico)** - NavMex has been distributing NavStar products for past 18 months and is one of several distributorship partnerships in Mexico.

**Diamante** - Diamante is one of Mexico’s few “approved vendors” to service regulation requiring all new commercial vehicles sold in Mexico City to have tracking systems. They are currently negotiating contracts with major vehicle manufacturers for Mexico Market and have agreed to utilize NavStar units as their tracking system technology.

**Intellisol** – Agreements are in place with this Windows based software provider for use in Automatic Vehicle Location (AVL), Stolen Vehicle Recovery (SVR) and Vehicle/Asset Tracker (VAT).

**Tracking Solutions, Corp.** – Tracking Solutions has selected NavStar’s Vehicle/Asset Tracker (VAT) as their preferred asset tracking technology and has been selling the Company’s products for several years.

**AVL (Canada)** – AVL has completed a full evaluation of NavStar’s Vehicle/Asset Tracker (VAT) and has been selling products for more than 2 years.

**Wise Track (Brazil, South America)** - Wise has already taken delivery of 1,200 units for launch in Brazil. This customer also provides inroads to many other countries in South America.

**CANTV** - CANTV is the parent company of Movilnet (CDMA Carrier) in Venezuela.

**Secusat (Latin America)** - Secusat provides a hosted, end-to-end private labeled wireless location fleet management, stolen vehicle recovery, security and risk mitigation solutions for wireless operators, insurance firms and security companies across Latin America. NavStar will partner with Secusat to service these markets.

**Haengbok Cha (Japan)** - Haengbok Cha has agreed to sell the Fleet Management System to the Japanese

market. The partnership will include providing equipment, software and related services.

## Revenue Projections

NavStar projects nearly \$80 million in hardware sales over the next 5 years, without taking into account the expected impact of recurring service revenues. Underpinning the successful achievement of these financial objectives is the Company's procurement of up to \$2.0 million of funding in the 3<sup>rd</sup> quarter of this year.

Below is a summary income statement based on the guidance of Management:

Year (\$M)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	2.0	12.4	16.3	20.8	25.9
COG	1.1	7.4	10.1	13.2	16.9
Gross Profit	.9	5.0	6.2	7.6	9.0
Op Ex .	1.3	2.7	3.5	4.6	5.6
EBITDA	(.2)	2.5	2.9	3.2	3.6

*\*2009 projections assume a minimum raise of \$1M by Q3 2009.*

With the planned August 2009 acquisition of an annuity-based software Company, NavStar anticipates it will add substantial service revenue that will accrete to its base financial model and dramatically increase overall profitability.

The incremental value created through the completion of this acquisition is shown below in the following recast financial projections:

Year (\$M)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue	2.2	16.3	22.9	31.6	41.6
COG	1.2	8.9	12.7	17.6	23.2
Gross Profit	1.0	7.4	10.2	14.0	18.4
Op Ex	1.5	3.6	4.7	6.1	7.7
EBITDA	(.3)	3.9	5.6	8.1	10.9

The addition of annuitized revenue via the acquisition of a software services Company is a key long-term consideration. By offering 3-5 year, renewal service contracts to its global customer base, NavStar can generate a huge stream of recurring cash flows to support rapid growth in the marketplace.

## Conclusion

NavStar Technologies, Incorporated is a Company that simply has the right product at the right time. Now more than ever, emerging nations are seeking ways to track, monitor, and protect their valuable "at risk" cargo: It is essential for these countries to gain economic stability and foster a continued influx of domestic and international trade. Safety and security of assets are integral pieces of this puzzle.

NavStar's Vehicle/Asset Tracker (VAT) tackles the issue head-on and provides unmatched ability to pinpoint

the exact location of assets and continuously monitor the status of goods in transit. Via these solutions, trucking fleets, governments, and trade businesses can provide transportation services worldwide without taking undue risk.

There are a number of other key factors that warrant investor attention and consideration:

- NavStar Technologies, Incorporated will be the first entrant in a number of extremely valuable, underserved markets that need the products and services offered by the Company.
- The technology is already developed, offers superior functionality at price points that meet or beat alternatives, and the platform is ready for immediate market penetration.
- Rising demand for solutions that monitor, track, and provide information on assets - coupled with improvements in the accuracy and miniaturization of product - suggests explosive growth in the industry as a whole.
- New legislation in a number of target regions requires the installation of asset tracking hardware/software in commercial vehicles.
- Focus on “at risk” assets places NavStar in a unique, “wide open,” lucrative subset of Location Based Services (LBS).
- A solid history of 20,000+ units sold and \$4M in revenues proves the merits of NavStar’s asset tracking solutions.
- Existing order backlogs and sales pipelines alone indicate the likelihood of tens of millions of dollars in revenues.
- Management has decades of relevant experience in the telecommunications and wireless industries.
- Huge partner/distributor network with some of the largest vendors in Central and South America creates the potential for rapid scale.
- Overseas manufacturing relationships are strong, dependable, efficient, and scalable, and they have helped NavStar earn a reputation for producing top-quality hardware.
- Planned Q3 migration to recurring revenue model will dramatically enhance margins, revenues, and cash flows to grow the business.
- Ability to quickly introduce products and “next generation” hardware and software solutions creates brand new markets for tracking assets other than vehicles, such as trailers, cargo, people, and pets.
- “Ground floor” nature of the investment offers a share in a high-growth enterprise at attractive valuations.

While the general market for asset tracking is well-established, NavStar’s commitment to delivering enhanced technologies, new types of services, and accommodating other assets within “at risk” geographies presents a fresh and timely investment opportunity with tremendous upside potential.

## Valuation Addendum

An Enterprise Value estimation was prepared for NavStar, Inc. to calculate the potential market value of the whole business (debt plus equity) based on 5-year projections provided by Company Management.

To determine an expected valuation range for NavStar, Inc., the following procedures were performed:

- Review Company’s relevant historic financial statements.
- Perform financial ratio analysis for Company and industry to identify trends and variances.
- Review 5-year projections prepared by Management.
- Develop and apply discount rates to the Company’s projected earnings (DCF model).
- Create a perpetuity growth model to establish a terminal value for cash flows post year-5.
- Collect and analyze market data for comparable companies within the same industry.
- Adjust projected financials to eliminate the effects of one-time / short-term inflows and outflows.
- Assign weights to each of three methodologies to derive a weighted-average valuation range.

### *Calculation and use of Free Cash Flows*

Analysis is based on Free Cash Flows (FCFs). Additionally, data has been “normalized” to adjust for investing activities related to the aforementioned [planned] sale of equity. A summary a projected Free Cash Flows (FCFs) is available below:

	<b>Profit and Loss (\$ Millions)</b>				
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues</b>	\$ 2.19	\$ 16.29	\$ 22.86	\$ 31.61	\$ 41.60
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	\$ (0.32)	\$ 3.95	\$ 5.65	\$ 8.09	\$ 10.93
Depreciation & Amortization Expense	\$ 0.15	\$ 0.16	\$ 0.17	\$ 0.19	\$ 0.22
Earnings Before Interest and Tax (EBIT)	\$ (0.48)	\$ 3.79	\$ 5.48	\$ 7.90	\$ 10.70
Capital Expenditure	\$ 0.02	\$ 0.03	\$ 0.13	\$ 0.12	\$ 0.22
Capital Raise*	2.19	-	-	-	-
<b>Pre-Tax Free Cash Flow</b>	<b>\$ (2.53)</b>	<b>\$ 3.92</b>	<b>\$ 5.52</b>	<b>\$ 7.97</b>	<b>\$ 10.71</b>
<b>EBIT Margin (EBIT/Revenue)</b>	-21.74%	23.26%	23.97%	24.98%	25.73%

### *Discounted Cash Flow (DCF) Analysis*

Projections of future cash flows were discounted to derive a Present Value (PV) for NavStar, Inc. The discounted cash flow (DFC) valuation is based on a blended average of two separate methodologies:

1. **EBITDA Multiple Method** – projections provided by Management served as the basis for the Present Value (PV) of 5-year cash flows. A “go-forward” EBITDA estimate was then applied against a range of multiples (5X – 7X) under various discount rate assumptions as an additive component of the valuation.

2. **Perpetuity Growth Method** - to calculate a Terminal Value (TV) post year-5, the analysis assumes a discounted perpetuity under growth scenarios ranging between 1.0% and 2.0% per annum. Discount rates were increased to account for the greater degrees of uncertainty of future cash flows.

### *Comparison Company or Comparison Acquisition Analysis*

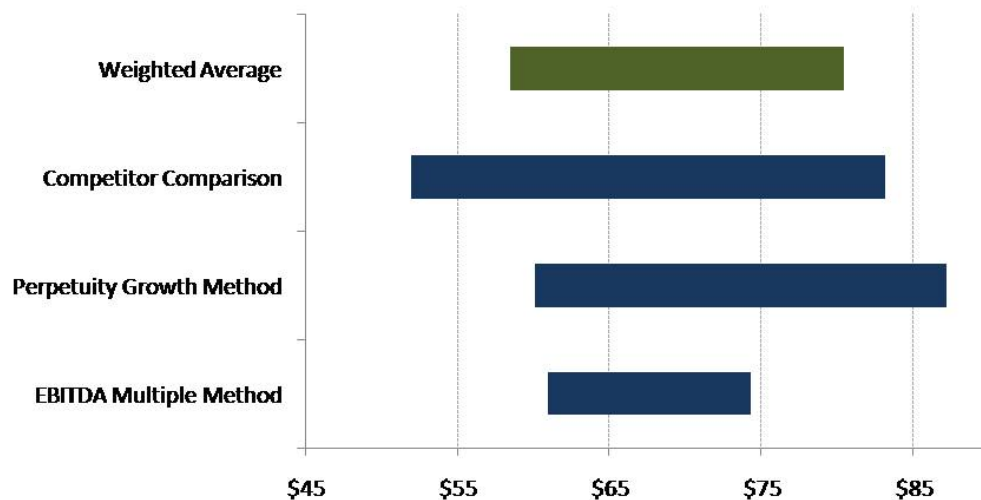
Comparison company and comparison acquisition analysis were used in conjunction with previously-detailed DCF methods to triangulate a range of expected values for NavStar, Inc. Using a market approach, NavStar projections were compared across industry and competitor ratio benchmarks for Price to Revenue, Price to Gross Cash Flow, Price to Cash Flow from Operations, Price to Book Value, and Price to Total Assets, among others.

- The most reasonable metric for Total Enterprise Value – Price to Revenue - was selected from the range of values established in the methods described and then applied to projection data. For the purposes of this analysis, Price to Revenue multiples between 1.5 and 2.0 were utilized.

### *Summary of Results*

The analysis yields an expected valuation range of **\$58.49 to \$80.41 million**, based on a weighted average of two DCF valuation methods (EBITDA Multiple and Perpetuity Growth) and one comparison analysis.

		Sensitivity Analysis (\$ Millions)		
		Low Case	Mid Case	High Case
EBITDA Multiple Method	45%	\$ 60.99	\$ 67.44	\$ 74.31
Perpetuity Growth Method	30%	\$ 60.15	\$ 71.31	\$ 87.23
Competitor Comparison	25%	\$ 52.00	\$ 67.60	\$ 83.21
Weighted Average	100%	\$ 58.49	\$ 68.64	\$ 80.41



## *Assumptions and Considerations*

This valuation is subject to the following assumptions and considerations:

1. Information, estimates, and projections referenced in this report are obtained from sources considered to be reliable.
2. This valuation assumes that the Company will continue to operate as a going concern, and that its future operations will reflect the business plan presently set forth.
3. The early-stage nature of the business creates considerable uncertainty surrounding future expected cash flows. The validity of this valuation assumes that management will deliver on its 5-year plan.
4. Discount rates above projected cost of capital were used to further adjust for the possible variability of revenues and cash flows versus the budget provided by Company management.

*This Report has been prepared in consultation with the Management of NavStar Technologies, Incorporated and is a joint effort between Scott Cohenford and NavStar Technologies, Incorporated. It is written from sources that are believed to be reliable, but no warranty can be made. This Report is for informational purposes only.*