NASCO Board Members,

CONFIDENTIAL

NASCO Staff has been working with Lockheed and Savi over the past weeks to get a good general description of our NAFTRACS project. An official document is being prepared by Lockheed and Savi for NAFTRACS, but because of their corporate hierarchy, things MUST have corporate approval before they can be sent out. The document is currently under review by Lockheed and Savi contracts people to make sure it is acceptable for distribution. I will send it to everyone as soon as I get it from them.

In the mean time, Frank has been working on documents with general information on NASCO and a little bit of info on NAFTRACS, Lockheed and Savi. I wanted to get this information to each of you for your review. The final document from Lockheed may have slightly different or additional information. You should use their official document as your talking points and the attached documents for background and general information.

These are DRAFTS only. I wanted you to have these documents to review. Please let us know your comments on the attached documents. They should be helpful, and once we get the official NAFTRACS document from Lockheed, hopefully, you will all be equipped with the information you need to speak about NASCO and NAFTRACS to your local stakeholders and the press.

After you review those documents, if we have left anything out that you feel should be included, please let us know. If you have other questions you would like for us to add to the document and answer, please let us know. Call us or email. Please don't be shy and don't wait until the next Board meeting to let us know you aren't getting what you need.

I want to make sure that all of your questions are answered. We are here for you. Never hesitate to contact us for any reason. And, if we don't have the answer ourselves, we will find someone that does.

We still anticipate the signing of the NAFTRACS contract with US DOT to be in mid to late July. Once the document is signed, we will issue a press release and get to work.

PLEASE EVERYONE be ready to receive calls from the general public and the press, and help us get your local, state and federal contacts involved. Each of you has very good contacts and we want to involve as many of them as possible.

PLEASE - IF YOU GET QUESTIONS YOU DON'T KNOW THE ANSWER TO, SEND THEM TO NASCO STAFF AND WE WILL GET THE ANSWERS THEY NEED. DO NOT TRY TO "WING" IT. IF YOU DO SPEAK TO THE MEDIA, PLEASE ALSO TELL THEM TO CONTACT NASCO STAFF FOR MORE INFORMATION, FOR BACKGROUND INFORMATION AND ADDITIONAL CONTACTS.

We all need to be on the same page. If you talk to someone or the press, please let us know who you
talked to and give us their contact information so we can follow up with them as necessary and/or find the articles they might write.

This is our biggest project EVER, so let’s all stay in constant contact. NASCO Staff will keep all of you in the loop as things develop and contacts are made, and PLEASE MAKE THAT COMMUNICATION TWO-WAY. CALL US OR EMAIL ANY TIME WITH SUGGESTIONS, COMMENTS AND QUESTIONS.

Exciting stuff!

Take care,
Tiffany

Thanks. This is going to be a big deal. If you have any questions, please call me or email me. And, please do not forward this email.

Thanks,
Tiffany

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NORTH AMERICA'S SUPERCORRIDOR COALITION, INC. (NASCO)

and

NASCO’s North American Facilitation of Transportation, Trade, Reduced Congestion and Security (NAFTRACS)
CARGO MANAGEMENT

Frequently Asked Questions

Q: What is NASCO?

A. NASCO is a tri-national, non-profit, trade and transportation coalition working to make international and domestic trade more efficient and secure along the existing network of transportation systems (including highways, rail, inland ports and deep-water ports) running north-south through the central U.S., Canada and Mexico.

A non-profit incorporated group, NASCO was initially founded in 1994 as the I-35 Corridor Coalition and incorporated as NASCO in 1996. It is overseen by a Board of Directors representing its dues-paying members from the public and private sector from all three countries.

From almost immediately after the Jan. 1, 1994 entry into effect of the North American Free Trade Agreement (NAFTA), NASCO has sought and backed Corridor-related initiatives to enhance border security, cargo safety and operational efficiency of existing transportation infrastructure. NAFTA’s reduction of import tariffs and trade barriers in North America powerfully stimulated trade that strengthened the economies of its partner nations and greatly increased cargo freight movement within the NASCO Corridor.

Q. Who are the members of NASCO?

A. NASCO’s dues-paying membership includes public and private sector entities along the Corridor in Canada, the United States and Mexico. From the largest border crossing in North America (The Ambassador Bridge in Detroit, Michigan and Windsor, Canada) and Manitoba, Canada, to the second largest border crossing of Laredo, Texas and Nuevo Laredo, Mexico, and South to the Mexican Ports of Manzanillo and Lazaro Cardenas, the impressive, tri-national NASCO membership truly reflects the international scope of the Corridor and the regions it impacts.

Q. Why do members choose to work within NASCO?

A. NASCO members include cities, counties, states, provinces and private sector representatives dedicated to maximizing the efficiency and security of their existing trade and transportation infrastructure roughly shadowing U.S. Interstate Highways 35/29/94 and the connecting Canadian and Mexican transportation infrastructure (the NASCO Corridor), as well as the intermodal inland ports along the NASCO Corridor.
The prestige and standing of its members and 13 years of innovative, forward-thinking policy development and advocacy have won for NASCO and its members a high degree of credibility and appreciation from local, state and national governments in North America.

NASCO is a non-governmental group that stimulates the public and private sectors to work with a common voice to address national and international trade, transportation, security and environmental issues of grave importance to NASCO Corridor economic development, job creation and quality of life.

Q. **What is NASCO’s purpose/mission?**

NASCO’s purpose is to boost economic activity while supporting needed infrastructure improvements, technological/security innovations and environmental initiatives along the Corridor. In doing so, NASCO’s efforts have and will continue to create job opportunities and enhance the well being of workers, residents and consumers in the U.S., Canada and Mexico.

Q. **What is the focus of the NASCO organization?**

A. NASCO’s focus is on maximizing the efficiency of our existing transportation infrastructure to support international trade and our nation’s cargo security. We recognize the extraordinary implications for our nation’s long-term economic prosperity of our transport system’s ability to sustain that growth.

NASCO utilizes strategic planning, coordination, advocacy and education to encourage best practices and cooperation that will boost economic activity and support needed infrastructure improvements, technological innovations and environmental initiatives within the SuperCorridor.

Q. **What are NASCO’s goals?**

A. NASCO’s goals include the development of safe and secure cargo tracking and management processes, data aggregation and logistics systems to enhance Homeland Security while also facilitating tri-national trade, economic development and job creation.

Q. **What is the NASCO SuperCorridor territory?**

A. The NASCO Corridor encompasses multimodal transportation infrastructure on or in close proximity to U.S. Interstate Highways 35, 29 and 94, and the significant connectors to those highways in Canada and Mexico. The effectiveness of cargo movements along the NASCO Corridor directly impacts North America’s continental trade flow, the largest in the world.
Q. What is the challenge for the U.S. and NASCO in meeting future transport demands?

The NAFTA signatory nations and our Corridor through the continental heartland in particular, face daunting challenges in adapting to absorb the coming tsunami of burgeoning cargo freight tonnage. U.S. studies forecast national freight tonnage to increase nearly 70 percent by 2020. General cargo tonnage is projected to more than double, with some key freight gateways expected to see a tripling in freight volumes between 1998 and 2020.

NASCO knows that as international trade grows as a part of the U.S. and North America’s economy, the demand for freight transportation to support will grow strongly too along with the challenge of traffic congestion on U.S. highways and railways and on the local, regional and national environments.

Q. How has international trade grown as a challenge for NASCO and North America?

In 1970, international trade represented just 12 percent of the U.S. Gross Domestic Product (GDP). By 2000, trade surged to 25% of U.S. GDP. U.S. economists, however, expect trade to leap to 35% or more of U.S. GDP by 2020.

Q. What is the NASCO technology innovation mission?

A. NASCO’s primary technology mission is to:

(a) develop the world’s first international, integrated, and secure multi-modal transportation system along the International Mid-Continent Trade and Transportation Corridor through the heart of North America, and;

(b) improve both the global trade competitiveness of and the quality of life in North America. One of the critical aspects of achieving this goal is the deployment and operation of an I-35/29/94 trade corridor management system.

Q. What does NASCO propose to respond to the transportation challenges?

To achieve its primary mission, NASCO has developed and is preparing to deploy and operate along Interstate Highways 35, 29 and 94 a trade corridor cargo tracking and management system called the North American Facilitation of Transportation, Trade, Reduced Congestion and Security, or NAFTRACS.

NAFTRACS is a three-phase pilot project designed to focus on business processes and information as freight is transported from buyers to sellers. The project is intended to create a partnership between businesses and local, state, and federal governments, while fostering cooperation amongst the same entities.
The NAFTRACS pilot system will:

- Identify situations that might impact the flow of commerce along the trade corridor
- Assist in managing congestion
- Track properly-equipped vehicles
- Maintain information on vehicles and crew status as it moves along the trade corridor
- Integrate data from State or Province-based Intelligent Transportation Systems (ITS) to provide corridor awareness for all corridor users and law enforcement
- Provide to operations personnel a common operation picture of the trade corridor,
- Provide a corridor command and control capability
- And provide the basis for efficient and secure multi-modal transportation.

Q. What is NAFTRACS intended to achieve?

A. Some of the important goals of NAFTRACS are:

1. To demonstrate the benefits of enhanced information sharing and exchange on security in the trade process, while facilitating the process of trade transactions and their transportation.
2. To demonstrate and evaluate true integration of tracking device technologies, and how they perform with respect to security and facilitating cargo movement.

Q. What will NAFTRACS provide?

A. An operational system derived from the proof-of-concept information management architecture will reduce the cost and congestion and improve the efficiency, mobility and velocity of freight and security of North American trade and commerce, thus enabling U.S., Canadian and Mexican government security and law enforcement agencies to accomplish their vital border security and trade facilitation missions, while strongly enhancing the security and prosperity of North America.

While security is enhanced for governments, today’s business enterprise operators will gain what they increasingly crave and demand: visibility across the entire supply chain -- from origin to destination -- and with real-time data reporting about inventory, shipments-in-transit and their conditions, as well as people moving through their business system networks.

Such extremely valuable real-time information about those conditions will make it possible for NAFTRACS customer businesses to identify and eliminate wasted, unproductive efforts and dollars, to greatly streamline operations so as to supercharge efficiencies, and to consistently deliver greatly improved customer service and satisfaction that cements bonds with highly valuable existing customers and helps attract and retain new customers.
Q. With whom is NASCO partnering to deploy the NAFTRACS tracking system?

A. To support the development of the prototype NASCO Trade Corridor Management System, NASCO has teamed with a constellation of technology stars, including Lockheed Martin Corp., Cadre Technologies, Inc. and Savi Networks to design and deploy NAFTRACS.

Lockheed Martin Corp., the largest U.S. government contractor for the last 12 years, designs, develops, tests, manufactures and operates a full spectrum of advanced-technology systems for national security, civil and commercial customers. Chief products include a full range of remote sensing, communications instruments, and defense systems.

Savi Networks, the operator of a global network providing real-time information services on in-transit inventory, is a joint venture between Savi Technology, Inc., a Lockheed Martin Corp. company, and Hutchison Port Holdings, the world’s leading owner/operator of ports and terminals.

Hutchison Port Holdings (HPH), a wholly-owned unit of Hutchison Whampoa Ltd, is the world’s leading port investor, developer and operator with interests in 19 countries throughout Asia, the Middle East, Africa, Europe and the Americas. Today, HPH operates more than 219 berths in 45 ports and a number of transportation related service companies. HPH Group ports and terminals handled 47.8 million TEU cargo containers in 2004.

Cadre Technologies is the leading provider of supply chain management software for the U.S.’ fulfillment, logistics and manufacturing industries and helps automate companies’ warehouse and fulfillment management processes to lower costs and boost productivity. Cadre is the largest software provider to the third-party logistics industry and its clients include Procter & Gamble and Campbell Soup Company.

Q. How does the NAFTRACS sensor tracking system work?

A. Savi Networks will deploy the network by installing active Radio Frequency Identification (RFID) reader/scanner equipment and software at NASCO deployment sites along the NASCO SuperCorridor, initially covering at least 10 sites from Windsor, Ontario and Winnipeg, Manitoba in Canada through the U.S. Corridor heartland major transit hub cities at the U.S.-Mexico border at Laredo, Nuevo Laredo and down through the heart of Mexico.

Users will sign up to use the NASCO NAFTRACS service to obtain information on the identity, location and status of their cargo containers as they pass through the NASCO NAFTRACS deployed network. Shippers, logistics service providers and transportation companies will be able to connect to the NAFTRACS network by installing compatible
RFID equipment at their own locations to further improve the efficiency, effectiveness and security of global supply chains.

NASCO NAFTRACS technology partners will provide information services on a per-container trip basis and provide active RFID-related hardware and services to customers to extend the network to the customer’s own origin point, such as a manufacturing plant, and/or destination point, such as a distribution center.

NAFTRACS will offer its customers a family of active RFID tags, including data rich, visibility and sensor tags, based on world standards. The customers would affix the RFID sensor tags to containers, transforming them into ‘smart containers’ able to communicate with the RFID reader/scanner network deployed along the NASCO SuperCorridor. As a result, users will gain the ability to receive information on location, security and environmental conditions, such as temperature, humidity and light, of their container and its container.

NASCO NAFTRACS will seek to establish relationships with additional transportation partners going forward to further extend the RFID network into the heartland of North America as well as to other providers of complementary and value-added information technologies and services of the global supply chain.
NASCO NAFTRACS CARGO TRACKING AND MANAGEMENT BENEFITS

Frequently Asked Questions

Q. What are the biggest concerns about supply chain operations to businesses, shippers, logistics companies?

A. According to research conducted by the management consulting firm A.T. Kearney and cited by Savi Networks, a world leader in building and operating RFID-based tracking and management systems, ASSURING CONTAINER SECURITY and REDUCING INVENTORY are the most important issues supply chain executives are managing.

Q. What benefits do supply chain executives see from participating in Radio Frequency Identification (RFID)-based sensor tag networks to track and manage their cargo containers, trucks and trailers from origin to destination?

A. Key findings in the A.T. Kearney research for Savi Networks revealed that approximately 94 percent of the total benefit derived from participation in RFID-based cargo management and tracking systems is derived from four factors:

- Reduced inventory carrying costs
- Reduced out-of-stocks
- Reduced lead time variance
- Increased manufacturing uptime

Reduced labor and fees (3 percent), increasing security (2 percent), and preventing lost cargo containers (1 percent), combined for solely six percent of the benefit from participating in RFID-based cargo tracking and management systems.

Q. What kind of savings can RFID tracking solutions provide to business?

The A.T. Kearney research indicates supply chain executives estimate the total average benefit per cargo container from an end-to-end RFID tracking solution to be approximately $1,150.

Reducing inventory overstocking represents 31% of the savings;
Reducing products out-of-stock represents 30% of the savings;
Reducing Lead-Time Variance can provide 17% of the savings; and
Increasing Manufacturing Uptime can affect 16% of the savings.

Hutchison Port Holdings, the world’s largest operator of ports and terminals and a Savi Networks partner, estimates that the average value carried within a cargo container is $75,000 and the cost of transportation of a single container averages $3,000, whereas the cost of participation in an RFID tracking system can vary from $10 to $20 a container.
Q. Why does reduced inventory carrying costs from RFID systems help companies?

Without a high degree of certainty of arrival time to destination due to no tracking system/supply chain information real-time feedback, company supply-chain executives have less certainty and confidence over shipment times for goods traveling through the global supply chain to its key end customers.

As a result, companies and their top executives must expend highly valuable, but unproductive “sunk capital” (cash) -- and other equipment and human resources -- in planned redundancies of excess inventory at various points in the supply chain system.

A former U.S.-owned retail store chain in Mexico City noted travel time for arrival of truck-borne shipments of home appliances from their Ohio manufacturing plant to the Mexico City customer showrooms took an average 15 days, but sometimes many more and sometimes many less days.

That great variance in shipment time reliability required the Mexico City-based appliance store chain to always keep on hand 3 times 15 days of inventory of appliances in a Mexico City warehouse with all the attendant sunken, unproductive costs, including:

- 45 days of sales of home appliances stored at all times in a warehouse
- warehouse ownership/leasing costs
- security personnel payroll, training and equipment
- warehouse electricity and other utility payments
- insurance and other warehousing liabilities

RFID tracking systems provide government customs, security and enforcement organizations with greater visibility for advance cargo risk assessment and review, which allows governments, in return, to provide incentives in eased travel passage at key trade-movement points, allowing time advantages to RFID tracking system participants.

But the dramatically enhanced reliability in time of shipment from origin to destination for companies that RFID information networks give back to company supply chain managers in a near, real-time basis also permits companies to slash their planned, built-in redundancies of excess inventory, thereby streamlining company operations and greatly enhancing the company’s productivity and return on capital

Q. What are ‘reduced out-of-stocks’ situations?

A. Reduced out-of-stocks situations. Because company supply chain executives are constantly updated on the status of inventory shipments and their status, customers experience greatly reduced incidents of valuable product offerings being “out-of-stock” due to no system being in place to provide information that certain highly desired and valued products have been sold out or gone “out of stock.” RFID-based tracking systems help supply chain executives at the origin and destination points keep track of inventories so closely they avoid the highly costly loss of sales from products going “out of stock.”
Q. What is “reduced lead time variance?”

A. As mentioned above, when shipment times can vary by days or even weeks, the variability or reliability of product shipment times can force end-user customers to have operate or behave in unproductive ways to the company’s business.

Such lack of reliability in shipment times can force companies to order and keep on hand much more -- or much less of a product -- than is optimal. If a company keeps on hand too much inventory, it ties up precious working capital.

If it fails to have enough inventory on hand, it may not only cost the company very valuable sales and revenues growth opportunities, but also produce extremely negative customer service or satisfaction, which can greatly jeopardize the company’s brand, marketing, prestige and status as a source of goods and products.

Reducing the lead-time variance helps executives to make best, optimum use of a company’s limited cash or working capital and other resources for daily business operations. Greater lead time variance is highly wasteful and harmful to a company’s operations and prospects for success.

Q. What is the value of increased manufacturing uptime from RFID cargo tracking?

A. Manufacturing plants, facilities and operations tend to be capital intensive; that is, the original investment consumes great sums of capital to be invested in them. Optimum return on that capital investment in such highly expensive physical plant is best achieved when such facilities can be operated as close to 100% of capacity at all times, 24 hours/7 seven days a week, all year, every year.

RFID cargo tracking and management systems contribute greatly to “increased manufacturing uptime” by ensuring that raw materials, or semi-finished components required in the manufacturing process are available at the right time in the right amount and extremely reliably and with as little variance in time of shipment as possible, due to the complexities of manufacturing operations.

RFID cargo tracking and management also adds great value to manufacturing facility operations by making possible highly efficient distribution and shipment of such plants’ outputs -- the manufactured, final-assembled product -- from the plant site to the marketplace in the most reliable, fastest and least expensive way. If plant output is permitted to stockpile at a manufacturing assembly that development too may require plant operations to stop until output is distributed, thereby robbing productivity from expensive plants stilled and not producing until its products can be moved to market.
The next IMTCCA conference call will be Tuesday, July 17th, at 9:30AM CENTRAL time, as discussed on the last call.

The dial in information is as follows....

From the US and Canada - 1-877-468-2134 and the code is 160476.

From Mexico - 1-918-583-3098 and the code is 160476.

Please let me know if you WILL NOT be able to participate at this time.

There is not much to announce at this time. We have been asked by US DOT to explain in greater detail the budget estimates. Lockheed Martin is working on this information for themselves and all of the sub contractors and will hopefully have that info submitted by the end of the week. It is very standard to ask for more detail at this point. As it is now July 10th, I do not think we will meet the mid-July deadline for signing the contract. I think it will be late July or early August. US DOT has told me they want this signed and started as much as we do and are doing everything they can to expedite.

They have not returned my multiple requests on approval for a 501C4 to be the recipient of the funding. I send an email twice a week - sometimes more - requesting an answer. they keep telling me it has gone to their legal team to come up with the answer.

Because there is not much to report, it might be better to postpone the conference call until we have something to report. I would imagine by the week of the 23rd there may be something.

I will be out of the office from this afternoon through the week. I will be going to Detroit / Windsor for some meetings on NAFTRACS and NASCO in general. My PDA does not get attachments.

My suggestion is either to cancel the call and reschedule for a later date, or to have a quick call next Tuesday as scheduled.

Please let me know your thoughts as soon as possible.

Thanks!
Tiffany

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I think we should try to have a conference call sometime soon so you may be updated on NAFTRACS and our legal status. I don't think the call should take longer than about 30 minutes.

May I propose the following dates / times:

August 7th  10AM, 11AM, 1PM
August 8th  11AM, 1PM, 2PM, 3PM
August 9th  10AM, 11AM, 1PM, 2PM, 3PM
August 10th 10AM, 11AM, 1PM, 2PM, 3PM
August 14th 1PM, 2PM, 3PM

Please let me know any and all dates and times that will work for you.

Cecil, we are all so very sorry about the terrible tragedy on the I-35 bridge. Please know that Minnesota is in our thoughts and prayers, and please let us know if there is anything we can do.

Tiffany

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I have heard from Cecil, John Spacek and Tonia. None of their times are matching up. Probably the better way to do this is for me to call each of you with an update. I am waiting to hear from Rider and am finishing up some updates with John Mohler. Once I get a good update for everyone, I will contact each of you by telephone. I think it will be easier to handle this way. Hopefully, I will have the complete updates and make the calls later this week.

Thanks, and feel free to call with questions.

Tiffany

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