



PARTNERSHIP

PROPOSAL

FOR



*Lance
Ludman*

SaviNetworks

29 September 2006



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This is a non-binding proposal for discussion purposes. Savi Networks looks forward to working with NASCO to amend this proposal to the mutual satisfaction of both partners.



SUMMARY

Proposal

Savi Networks, a joint-venture between Lockheed Martin and Hutchison Port Holdings (HPH), proposes to partner with North America's SuperCorridor Coalition, Inc. (NASCO) to

Phase One

- Deploy Savi Networks' container tracking and security network at key NASCO stakeholder locations and integrate native (to SaviTrak) and non-native (other cargo tracking and supply chain system) corridor data into its SaviTrak platform;
- Jointly market a "NASCO-SaviTrak" system to customers;
- Integrate NASCO-SaviTrak data into a standalone demonstration of the system's capabilities; and
- Identify and attempt to obtain resources to implement a NASCO Trade Corridor Management System (TCMS) with broader deployments and command-and-control centers along the corridor.

The partnership would allow Savi Networks access rights to deploy its open-architecture SaviTrak network at NASCO stakeholder corridor infrastructure. Savi Networks will invest capital to implement RFID network systems to provide visibility and security of containers transiting these nodes. In return, Savi Networks will share revenue with NASCO from each Savi Networks' container "transaction". NASCO will also gain the ability to market RFID-enabled visibility and security and to showcase a demonstration of the system's functionality.

Savi Networks has resources available to begin working with NASCO immediately and is looking forward to finalizing a partnership agreement.

Pending the commercial success of Phase One, Savi Networks, Lockheed Martin and NASCO would jointly develop a more comprehensive TCMS to maximize value for commercial and regulatory clients, as well as NASCO stakeholders. With the NASCO-SaviTrak system as a backbone, TCMS will be able to integrate data from other platforms, including truck/trailer, rail and other "visibility" networks designed to improve the efficiency and security of cargo flow and transportation asset management.

Summary of Proposed Terms

NASCO and Savi Networks are contemplating a partnership for the purpose of the deployment of a corridor network for tracking and securing intermodal containers using RFID technology ("Network Infrastructure"). The contemplated partnership consists of a "Facility Access Partnership" relationship, with options to expand this partnership as described below.



SAVI NETWORKS RESPONSIBILITIES:

1. Savi Networks will be responsible for purchasing and implementing the Network Infrastructure at the NASCO stakeholder facilities identified in Exhibit A.
2. Savi Networks will collaborate with NASCO and its stakeholders on a mutually agreeable implementation, maintenance and support plan at each facility.
3. Savi Networks will pay NASCO US\$0.25 for every revenue-generating intermodal ocean cargo container that transits through implemented facilities.
4. Savi Networks will be responsible for maintenance and support of the Network Infrastructure for the term of the agreement.
5. Savi Networks will create a standalone demonstration of the NASCO-SaviTrak system, able to be demonstrated to key stakeholders, customers, regulators, government funding sources, and other parties critical to the success of the partnership.

NASCO RESPONSIBILITIES:

1. NASCO will obtain stakeholders' consent to rights and access ("Facility Access Agreements") to its stakeholder facilities (in Exhibit A) for deployment of the Network Infrastructure.
2. NASCO and its stakeholders will provide project management assistance to enable Savi Networks to obtain all permits, approvals, legal documentation, labor, and other items necessary to enable Savi Networks to install, implement, maintain and support the Network Infrastructure at the NASCO stakeholder facilities.
3. NASCO will obtain stakeholders' approvals for housing SaviTrak Site Manager computers (1-2 at each site).
4. NASCO will provide marketing support, including press releases and hosting demonstrations of the NASCO-SaviTrak system.
5. NASCO will provide Savi Networks the exclusive right to expand network deployment and expand the NASCO-SaviTrak system.

JOINT RESPONSIBILITIES

1. Savi Networks and NASCO will jointly market NASCO-SaviTrak services to their constituents and will recruit customers who can prove the business model – a necessary precursor to subsequent phases -- and enhance transaction revenue.
2. Savi Networks and NASCO will jointly approach governments and other financiers to attempt to obtain financing for a broader TCMS, including:



- a. Expanded deployment of the Network Infrastructure and the NASCO-SaviTrak system.
- b. Integration of additional visibility- and security-supporting solutions to enhance commercial value and value of the solution for regulators.
- c. Implementation of command-and-control centers at key stakeholder locations.

TERM

1. The proposed term of this agreement is 5 years unless other technology is designated as a standard by ISO or World Customs Organization. In the event a different standard is developed, Savi Networks will have 12 months to become compliant with the standard.

OTHER KEY TERMS & COMMITMENTS

1. Savi Networks will have the exclusive right and title to market the data collected by the Network Infrastructure during the term of the agreement.
2. Savi Networks and NASCO will have the right to reference high-level agreement terms in press releases and tours, corporate presentations, demonstrations and marketing collateral.



BACKGROUND

Savi Networks

Savi Networks combines the technical experience of Savi Technology, the breadth and system capabilities of Lockheed Martin, and the global port presence of its partners, including HPH, Marine Terminals Corporation, Trapac, Virginia Port Authority, Georgia Port Authority, and others. Established in April of 2005, Savi Networks provides cargo owners, carriers, and their third party logistics service greater visibility and status information about their container shipments.

Savi Networks deploys global shared networks built on standards-based active RFID solutions. Savi Networks has a growing list of port partnerships that currently numbers 79 terminals around the world. Customers are able to connect to the network by installing compatible equipment at their own container stuffing and unstuffing locations and receive data automatically as their goods transit the shared network.

Based on technologies developed for the U.S. Department of Defense's RFID In-Transit Visibility/Total Asset Visibility Network and tested for years in commercial supply chain programs, the network provides:

- Accurate data
- Automated data capture
- Lowest total cost of ownership through the transaction model
- Easy and inexpensive connectivity
- Real-time data access to the location, environmental, and security status of goods down to the SKU level
- Management by exception

Standards Compliant

Savi Networks' solution is based on international standards (notably ISO 18000-7 and draft ISO standard 18185). As such, it is open and extensible as new supply chain technologies emerge. By building a backbone network based on these standards, Savi Networks can integrate a variety of RFID devices that are standards-compatible. Just as a mobile phone network is able to accommodate a variety of standards-based phones and communications devices (PDAs, cellular phones, etc.), Savi Networks can read standards-based devices that meet clients' needs and demands.



Commercial Value Proposition

Savi Networks and its partners engaged Stanford University, BearingPoint, and A.T. Kearney to determine the benefits of this solution. A.T. Kearney interviewed supply chain executives from 30 of the top 100 U.S. importers. Both efficiency and security benefits were identified. The study estimated that shippers could achieve significant value per container shipment, primarily by reducing inventory, lead time variance, and out-of-stock, and increasing just-in-time manufacturing.

Current Savi Networks customers report that network benefits fall into four main opportunity buckets: labor cost reduction, inventory/property, plants and equipment reductions, improved customer service and client retention, and enhanced revenue.

Table 1. SaviTrak Commercial Value Proposition for Beneficial Cargo Owners.

Opportunity	Labor Cost Reduction	Inventory/PP&E Cost Reduction	Customer Service / Retention	Revenue Driver
Dynamic inventory allocation		✓	✓	
Distribution-center bypass		✓	✓	
Re-routing of spoiled/damaged goods		✓	✓	✓
PP&E reduction via the "floating warehouse"		✓		
Reductions in lead-time variability		✓	✓	
Re-routing of missed sailings			✓	✓
Improved manufacturing line up-time	✓			
Inventory reconciliation -- labor and derivative costs	✓			
Seasonal/promotional freight automation	✓		✓	✓

Carriers are also evaluating this capability for efficiency and security. The ISO 18185 standard was driven by carriers seeking to use electronic seals to verify chain-of-custody. Carriers view SaviTrak-enabled visibility as a marketing and value added service opportunity, especially as an increasingly competitive environment and present security risks demand more precision than provided by existing EDI-based solutions.



Cargo Security Solution

SaviTrak supports the need for sensor data and audit trails needed to enable supply chain security solutions. Savi Networks has signed an integration agreement with the U.S. Customs and Border Protection (USCBP) Advanced Trade Data Initiative, the test bed program for future data policies. The U.S. Department of Homeland Security is also considering electronic seals, and Savi Networks' compliance with international standards will enable compliance with these emerging requirements. Since September 11, 2001, customs authorities and transportation regulators worldwide have undertaken measures to enhance cargo security. U.S. requirements such as the 24 hour advanced manifest rule and programs such as the Customs-Trade Partnership Against Terrorism (C-TPAT) call for more data and more chain-of-custody control. As a data network, SaviTrak enables clients to provide more supply chain data from earlier in the container journey to satisfy increasing customs demands. Further, the track-and-trace capability of the solution enables shippers to represent a secure supply chain on a container-by-container basis.

Business model

Savi Networks operates as a utility service. Savi Networks installs and operates a shared network infrastructure in ports around the world, provides hardware, services, and a variety of tags necessary for users to connect – both for manufacturing and consolidation facilities that originate cargo and distribution centers receiving cargo -- and provides information to the appropriate users in a secure network service.

Savi Networks provides data to carriers, shippers and other customers. SaviTrak offers a hosted view of the information, enables exception alerts based on configured rules or conditions, and integrates to clients' backend transportation management systems. For these services, Savi Networks charges clients on a per transaction or subscription basis. This model greatly reduces the technology and operational risk to the customer, and greatly reduces the cost of RFID visibility.

Partnership with NASCO

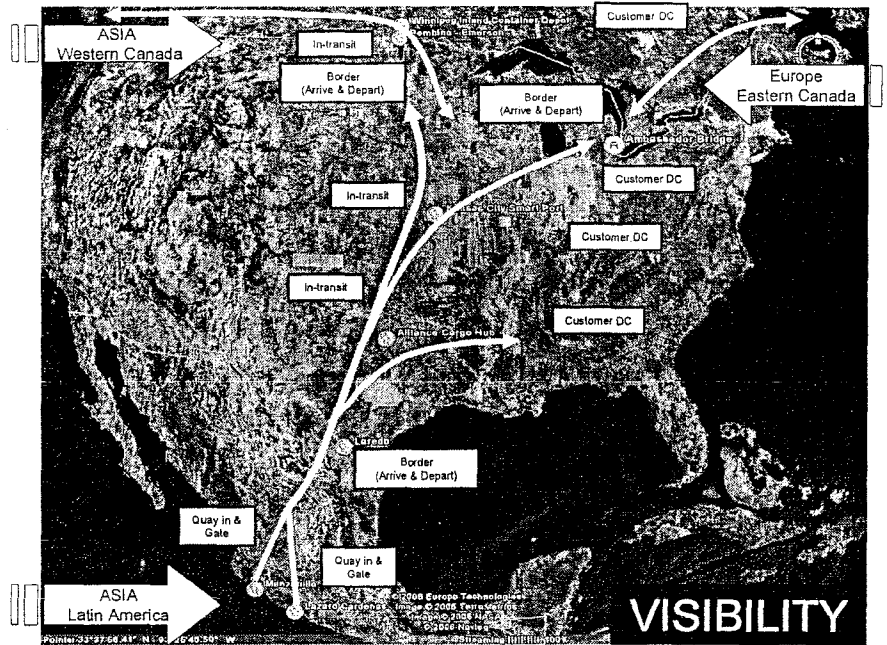
NASCO's vision of a visible, efficient and secure trade corridor among Canada, Mexico and the United States is consistent with Savi Networks' efforts to provide the same across global trade lanes. Because the NASCO corridor integrates well with Savi Networks efforts in Canadian and Mexican ports, with the major U.S. East and West Coast supply chain nodes, and along North American-bound supply chains originating in Asia, Europe and Latin America, we believe a partnership would be mutually beneficial.

For NASCO, a partnership would bring its stakeholders into the world's largest commercial RFID network. It would provide additional revenue through transaction fees, paid by Savi Networks to NASCO on a tagged-container basis. NASCO will be able to respond to shipper and carrier demand for RFID-enabled visibility and security, and identify new revenue streams.



NASCO would be well positioned for emerging container security standards. And NASCO would further differentiate itself as a leader among North American trade corridors.

Figure 1. Initial SaviTrak Deployment Creates Visible Cargo Along NASCO Corridor.



Pending the commercial success the Phase One deployment of NASCO-SaviTrak system, Savi Networks, Lockheed Martin and NASCO would jointly develop a more comprehensive TCMS to maximize value for commercial and regulatory clients, as well as NASCO stakeholders. With the NASCO-SaviTrak system as a backbone, TCMS will be able to integrate data from other platforms, including truck/trailer, rail and other “visibility” networks designed to improve the efficiency and security of cargo flow and transportation asset management.

Approach

Savi Networks proposes to NASCO a three-step process towards partnership:

1. Discuss terms and conditions;
2. Conclude Access Agreement, contingent upon stakeholder commitment to deliver facility access for NASCO-SaviTrak deployments; and



3. Joint, active recruitment of users of the system
4. Mutually agreed, phased implementation by Savi Networks.

Explanation of Terms and Conditions

NASCO and Savi Networks are contemplating a partnership for the purpose of the deployment of a corridor network for tracking and securing intermodal containers using RFID technology ("Network Infrastructure"). The contemplated partnership consists of a "Facility Access Partnership" relationship, with options to expand this partnership as described below.

Savi Networks Responsibilities

1. Savi Networks will be responsible for purchasing and implementing the Network Infrastructure at NASCO stakeholder facilities identified in Exhibit A.

SaviTrak collects real time shipment data from the deployment of RFID readers, usually at host facility in-and-out gates and, for marine terminals and other logistics facilities, at a hand-off point such as a quay cranes. These readers use RF to interrogate and report the location, status, condition of tagged containers.

Figure 1. SaviTrak reader infrastructure on a quay crane in HIT terminal, Hong Kong.



The readers connect to a Site Manager, a PC-like piece of hardware usually housed in a host facility's computer room. This Site Manager communicates via the Internet (outside of the LAN firewall) with the SaviTrak Network Operating Centers.



Savi Networks will assume all costs for the readers, Site Manager, and their deployment expenses at NASCO stakeholder facilities.

2. Savi Networks will collaborate with NASCO and its stakeholders on a mutually agreeable implementation, maintenance and support plan at each facility.

Logistics facilities cannot be distracted or interrupted by Savi Networks' deployments. Both parties recognize this critical point, and therefore propose to work jointly with the operations and facilities staffs at each stakeholder facility to ensure that deployments (and subsequent maintenance activities) are staged when gates, cranes or other deployment points are not in operation. Savi Networks' global deployment teams will draft comprehensive, flexible solution implementation strategies and corresponding timetables. The parties will seek facility concurrence at every step of deployment.

3. Savi Networks will pay NASCO US\$0.25 for every revenue-generating intermodal ocean cargo container that transits through implemented facilities.

Beneficial cargo owners (BCOs) are Savi Networks' primary customers. They subscribe to use the network, usually on a per-container basis, in order to obtain the data and the ensuing efficiency and security benefits. A portion of that revenue or a "transaction fee" will be paid to the NASCO for every container that passes through a stakeholder facility and obtains a "read" or "reads" via the installed SaviTrak infrastructure. Savi Networks proposes a transaction fee of \$0.25 per container and will be responsible for paying that to NASCO after the infrastructure is deployed.

4. Savi Networks will be responsible for maintenance and support of the Network Infrastructure for the term of the agreement.

Just as Savi Networks is responsible for purchasing and deploying the network, it will also maintain the equipment for the full term of the agreement. Savi Networks has its own global service team and has engaged partner companies to be able to maintain its international network. Savi Networks will repair and/or replace infrastructure that fails or is damaged through no fault of NASCO or the NASCO stakeholder.

If stakeholder personnel were to deliberately damage or cause damage through negligence to the Network Infrastructure, the Port Operator would reimburse Savi Networks to repair the damaged equipment.

5. Savi Networks will create a standalone demonstration of the NASCO-SaviTrak system, able to be demonstrated to key stakeholders, customers, regulators, government funding sources, and other parties critical to the success of the partnership.

Savi Networks integrates its network data into a demonstration platform at the Lockheed Martin Lighthouse in Suffolk, Virginia. This demonstration provides potentials partners and clients and interested regulators with a rich understanding of the full capability of the solution. For this



partnership, Savi Networks will develop and market a stand-alone demonstration at the Lighthouse of the NASCO-SaviTrak system. This demonstration will be a powerful tool as NASCO and Savi Networks attempt to expand network footprint and capabilities. This stand-alone demonstration could eventually be replicated at key sites along the NASCO corridor.

NASCO Responsibilities

1. NASCO will obtain stakeholders' consent to rights and access ("Facility Access Agreements") to its stakeholder facilities (in Exhibit A) for deployment of the Network Infrastructure.

NASCO will obtain Facility Access Agreements from its stakeholders for the placement of SaviTrak infrastructure. To deploy its infrastructure, Savi Networks requires access to strategic hand-off points on a stakeholder's property (e.g., in-and-out gates or rail heads). It will also require space for the Site Manager in the terminals' computer room.

2. NASCO and its stakeholders will provide project management assistance to enable Savi Networks to obtain all permits, approvals, legal documentation, union labor, and other items necessary to enable Savi Networks to install, implement, maintain and support the Network Infrastructure at the NASCO stakeholder facilities.

Recognizing that labor at a logistics facility is often highly regulated and that regulations vary widely across states and countries, NASCO's and its stakeholder's will assist with infrastructure deployment and related activities.

3. NASCO will obtain stakeholders' approvals for access to power and LAN, where already present, and of housing SaviTrak Site Manager computers (1-2 at each site).

SaviTrak readers sometimes require power and LAN access. Savi Networks usually leverages power already connected to or adjacent to the gates, or cranes, or rail heads, etc.. In situations where no power is immediately present, Savi Networks would ask the NASCO stakeholder to extend power very near to the readers.

For LAN access, SaviTrak often taps into networks hardwired to the gates. Where such land lines do not exist, SaviTrak can tap into a WiFi network or deploy an alternate wireless connection to the LAN. As a last resort, Savi Networks will deploy readers with alternative communications capabilities (e.g., GPRS). Savi Networks will work the NASCO stakeholders to extend LAN access where necessary.

Connection to the LAN is necessary for the Network Infrastructure to communicate with the Network Operating Center via the Internet. While broadband access is required, communications are only outbound from the Site Manager -- completely fire-walled from the stakeholder's LAN.



As stated previously, the Site Manager – which functions like a server – needs to be housed at the stakeholder’s MIS center or in a computer room or similar. A typical site manager is about the size and scope of a single personal computer, with similar space and power requirements.

4. NASCO will provide marketing support, including press releases and hosting demonstrations of the NASCO-SaviTrak system.

As partners, Savi Networks and NASCO will collaborate to promote and market the cargo visibility and security benefits of the solution. These efforts could take a variety of forms, but will most likely include media placements, demonstrations for potential clients and regulatory authorities, and combined efforts to approach clients.

5. NASCO will provide Savi Networks the exclusive right to expand network deployment and expand the NASCO-SaviTrak system.

Both parties view this effort as Phase One of a much broader, more comprehensive effort to leverage a NASCO-SaviTrak backbone network to include other solutions and technologies and ultimately develop a command-and-control structure for corridor visibility, efficiency and security. If Phase One is technically and commercially successful, and if the parties are able to achieve revenue and leverage outside resources, the deployments will be expanded, additional nodal solutions will be integrated, and one or more command-and-control centers will be developed for NASCO stakeholders and other relevant parties. Savi Networks would retain the exclusive right to develop the backbone and extension of the network, although it recognizes that other solutions providers would necessarily participate in that effort.

Joint Responsibilities

1. Savi Networks and NASCO will jointly market NASCO SaviTrak services to their constituents in order to recruit customers who can prove the business model – a necessary pre-cursor to subsequent phases -- and enhance transaction revenue.

Future expansion and enhancement of the NASCO-SaviTrak system is contingent upon proving out the system with commercial customers. As such, the partners commit to work to bring commercial customers to the network in order to demonstrate value, confirm relevancy to stakeholders and regulators, and expand revenue opportunities.

2. Savi Networks and NASCO will jointly approach governments and other financiers to attempted obtain financing for a broader TCMS, including:

This proposal defines the partners’ goals and relationship for Phase One. Revenue achieved in Phase One will likely not be of a magnitude to finance the implementation of the full vision for a broader TCMS. The partners agree to work together to approach potential later phase funding parties, including but not limited to the U.S. Department of Transportation and other U.S. Government and state agencies.



- a. Expanded deployment of the Network Infrastructure and the NASCO-SaviTrak system.
- b. Integration of additional visibility- and security-supporting solutions to enhance commercial value and value of the solution for regulators.
- c. Implementation of command-and-control centers at key stakeholder locations.

Term

1. Term of this agreement is 5 years unless other technology is designated as a standard by ISO or World Customs Organization. In the event a different standard is developed, Savi Networks will have 12 months to become compliant with the standard.

Five years is a standard term to allow for full deployment, and for the network to realize its market capacity.

Other Key Terms and Conditions

1. Savi Networks will have the exclusive right and title to market the data collected by the Network Infrastructure during the term of the agreement.

The primary “product” offered by SaviTrak is location, status and condition data. Location data is used by BCOs and other supply chain parties to make real-time decision to improve supply chain efficiency. SaviTrak also indicates the security status of the container. Condition data can inform the BCO if the contents of the container register outside of a temperature, humidity or shock tolerance. As a service company, Savi Networks retains the rights to market such data to the data “owner” – the BCO.

Savi Networks, NASCO and NASCO stakeholders could agree to funnel the data into a TCMS as a commercial or regulatory offering. The terms of that data provision would need to be negotiated.

2. Savi Networks and NASCO will have the right to reference high-level agreement terms in press releases and tours, corporate presentations, demonstrations and marketing collateral.

This partnership offers many immediate benefits to both parties. However, it also offers indirect and marketing opportunities to attract and influence clients and additional partners. Both Savi Networks and NASCO (and NASCO stakeholders) will have the right to publicly and situationally reference this partnership and its benefits.



EXHIBIT A: INITIAL DEPLOYMENTS ALONG NASCO CORRIDOR

Mexico

Container Terminal at Manzanillo

- Key Cranes
- In-Out Gates

Container Terminal at Lazaro Cardenas

- Key Cranes
- In-Out Gates

Mexico-U.S.

Border Crossing at Laredo

- 1 each read at rail/road on Mexico side
- 1 each read at rail/road on U.S. side

United States

Rail Yard at San Antonio

- In-out gates

Alliance ICD

- In-out gates

Kansas City SmartPort (2 sites)

- In-out gates rail
- In-out gates road

Canada-U.S.

Ambassador Bridge

- One read on each side

Border Crossing at Pembina-Emerson

- One read on each side (assume rail to be co-located?)

Canada

Winnipeg ICD

- In-out gates rail
- In-out gates road

Also

Savi Networks will host demonstration of the NASCO-SaviTrak system at Lockheed Martin Lighthouse in Suffolk, VA. Demonstration will be designed to be extensible to NASCO stakeholder sites during future phases of partnership.