



**our phone call**

Monday, January 14, 2008 10:47 AM

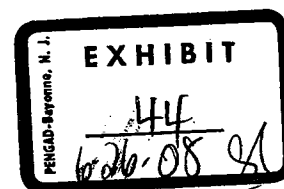
**From:** "Richard Altomare" <raaltomare@yahoo.com>

**To:** "michael xirinach" <xirinachsm@yahoo.com>

I have an opportunity for your foreign fund. I would give a 50% return in 60 days. This foreign (swiss) company will be trading on two European Exchanges by that time. I would like to meet to discuss the companies to be acquired by this holding company. If meeting is not possible, we can speak by phone anytime. Despite the ongoing legal case in the Appellate Court of which I am involved, this foreign investment is a fresh and completely separate investment vehicle. I will follow with one of the to be acquired entities business plans. As always, you will find the professionalism and loyalty to my return guarantees. 500,000 USD tranches would be suggested until this company has created a corporate history similar to our personal one and then it can be increased.

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**Fwd: SkyPostal Business Plan**

Monday, January 14, 2008 11:11 AM

**From:** "Richard Altomare" <raaltomare@yahoo.com>

**To:** "michael xirinach" <xirinachsm@yahoo.com>

SkyPostal Business Plan.eml (192KB)

As promised

Note: forwarded message attached.

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**Forwarded Message: SkyPostal Business Plan**

Monday, October 22, 2007 1:30 PM

**SkyPostal Business Plan**

**From:** "Albert Hernandez" <aph@skypostal.com>

**To:** raaltomare@yahoo.com

SkyPostal Business Plan 17Jul07.pdf (142KB)

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**SKYPOSTAL, INC.**

**BUSINESS PLAN**

**JULY 2007**

## I. EXECUTIVE SUMMARY

### 1. Overview

The government regulated PTTs (Postal Telegraph & Telephone) Agencies are liberalizing the postal sector as the international telecom industry did in the 90's. The Public Postal agencies, regulated by the Universal Postal Union (UPU) are plagued with the same issues of artificially high inter country mail tariffs (terminal dues), inefficiencies with little or no technology and poor service as the public telecom agencies were. SkyPostal is capitalizing on these weaknesses during this postal liberalization revolution.

SkyPostal provides international private postal services to the Latin America-Caribbean region (LAC). Its time defined, "Intelligent Mail" solution, via an established outsourced private hand delivery network, is supported by proprietary software. SkyPostal, as the only region wide cross border private postal service, solves a large market need for reliable, low cost, time defined, and trackable mail service in LAC. Using GPS technology and its postal mail delivery network, SkyPostal proposes to build a worldwide integrated mail delivery network. The system will generate digital-GPS coded address databases. This system will replace the inefficient "descriptive addresses" with an 8 digit alpha numeric "Personal Postal Code" for each building. The databases can be sold to direct marketers seeking accurate and socio-economically segmented mailing lists and governments and businesses needing specific GPS coded addresses.

**PosTrac GPS Intelligent Mail Technology.** SkyPostal has developed a proprietary web-based system, PosTrac™, which provides the bar coding, tracking and delivery confirmation of mail items. It permits the customer to enter an order and be able to track his mail until arrival at destination country as it goes out for delivery. It has also developed a GPS equipped PDA scanner that will solve the "last mile" tracking by providing automatic confirmation of delivery using GPS coordinates without having to knock on the door to obtain a signature.

**SkyShop – Your USA Address.** The SkyPostal founders in 1992 (before Internet) introduced a highly successful product "SkyBox" which provided upscale LAC consumers with the ability to make purchases from catalog companies who would not sell their products internationally due to customs and local delivery problems. SkyBox was sold to Lan Chile Airlines in 2001 and the founders had a 5 year non compete. Using the SkyPostal network, PosTrac delivery technology and marketing & operational know how, the management will introduce a "SkyShop" service in October, 2007. This product is favored by the Internet marketers since the sale ends in the US at the buyers US address and the seller avoids the risks of customs clearance, theft or return by the buyer. The buyer takes ownership of the purchase at his US address and any international transport, customs and security risks become his.

**SkyPostal Mail Logistics Service.** SkyPostal, as a wholesaler, currently delivers over 100 tons of mail per month in Latin America for the German, French Post offices and other large commercial mailers. Many of the European Postal Services have gone "cross border" and have started to compete with other postal administrations outside their home country, particularly in the US, the largest postal market. As these posts compete, they strive to improve their service and reduce costs over the UPU mandated terminal dues. Recent changes in the UPU Acts prohibit the cross border operators from using the UPU Network for mail originated by their cross border operations.

**GPS Address Databases – Development of Worldwide “Intelligent” Private Postal Network.** The GPS equipped PDA scanner will enhance the company's product offering as well as provide a system to the local delivery providers to improve their service to SkyPostal and their local customers:

1. Using the SkyPostal hand delivery network of messenger services as data gatherers while making deliveries, a GPS Digital Address System (GPS-DAS) database in Latin America will be build. It will replace the descriptive addresses in current use, while creating a GPS based 8 digit alpha numeric “Personal Postal Code” for each address. This will be extremely beneficial in countries that do not currently have postal codes. These databases can be marketed to delivery companies, direct marketers, postal administrations, governments, insurance companies and other industries requiring specific address location such as MapQuest.
2. Use its GPS-DAS system to develop a worldwide Private Postal Network that will permit existing private postal operators, leasing the PDA and software on a per transaction basis, to become part of a private postal network using the same centralized IT system, service standards, operating procedures, mail products and brand identity.

**GPS-PDA Scanner Prototypes.** Prototypes have been developed of the GPS-PDA scanners but have not been field tested. SkyPostal requires \$340,000 to complete the prototype development, produce 200 units and field test the concept. SkyPostal has negotiated a contract with a Chinese manufacturer to produce the first 1000 units once the prototypes have been tested and approved. Once the addressing concept is proven, SkyPostal would seek funding thru a separate company, PosTrac, Inc to produce and roll out the GPS-PDA scanners throughout Latin America. This would be accomplished by supplying each of the approximately 17,000 messengers in its network with a PDA thru leasing of the units to the hand delivery providers and charging an ongoing scan fee to support the maintenance of the units.

Upon completion of the mapping & postal coding of LAC and the creation of income segmented databases of digital addresses, SkyPostal will develop direct marketing tools that will improve mail delivery in LAC with application in other world regions. Contrary to the address system enjoyed in the US and Western Europe, most third world countries in Latin America, Far East, Eastern Europe, Africa & Middle East do not use Postal Codes and still use descriptive addresses.

**Competitive Position In Latin America and Proposed Acquisitions.** SkyPostal is the largest cross border private postal operator in Latin America. On 1<sup>st</sup> August 2007 SkyPostal will acquire the LAC operations of Spring, a division of the Dutch Post in partnership with UK's Royal Mail and the Singapore Post. This acquisition will increase SkyPostal's sales for 2007 to about \$11.2 million and improve its profitability. As a result, only one other serious competitor will be left in the LAC region. SkyPostal estimates that this competitor generates about \$6 million in annual revenues with a gross profit margin of about 10-12%. SkyPostal estimates that it will cost about \$3 million to acquire this competitor. Once this second acquisition is completed, SkyPostal will be in a position to control the space and thereby adjust its pricing to be more in line with the USPS International Priority (IPA) and ISAL mail service, thus improving its margins.

## 2. Summary Financial Highlights – Mail Logistics – SkyPostal, Inc. with Spring Acquisition

Figures in US\$ (000)	12 Months Ended Dec. 31				6 Months	Forecast	Forecast
	2003	2004	2005	2006	2007	2007	2008
Sales	920	2,786	5,277	5,915	3,892	11,188	17,157
Gross Profit	201	510	742	1,138	930	2,648	4,446
Gross Margin	21.8%	18.3%	14.1%	19.2%	23.9%	23.7%	25.9%
EBITDA	(1,524)	(2,052)	(1,537)	(1,469)	(338)	(302)	901
Interest/Factor/IPO Exp.	63	294	576	1,189	443	991	434
Net Income	(1,662)	(2,485)	(2,112)	(2,658)	(781)	(1,294)	467

## 3. Investment Required & Summary of Proposed Offering Terms

The current shareholders and convertible debt holders have contributed following capital:

\$3,350,000	By founders by converting notes/bank debt into capital. (at \$1.00 per share) (May06)
\$2,800,000	Debt convertible (May 06) into equity by outside shareholders from 1st & 2nd round (\$.51 per share) (Converted Feb 07)
\$ 415,000	Paid in capital by outside shareholders thru stock purchase at \$.60 to \$1.00 per share.
\$1,020,000	Convertible notes that will only convert at AIM listing (some of them already shareholders (convertible at \$.51 per share) (Feb 07) Notes Due Dec 07.
\$ 600,000	Notes payable due founders.
\$8,185,000	Total paid into company to date by current shareholders and convertible note holders. (Approximately 18,810,000 common shares are outstanding)

SkyPostal is seeking a \$15 million private equity/convertible debt investment as follows:

**Mail Logistics- SkyPostal, Inc -Debt Restructure & Acquisition** **\$6,000,000**

**Use of proceeds:** debt restructure, eliminate expensive A/R financing and reduce out of term payables, hire CFO, start SkyShop Service, expand mail service to Asia, Eastern Europe, acquire only serious competitor in Miami and for working capital needs.

**SkyShop – Launch Product in LAC** **\$1,500,000**

**Use of Proceeds:** Introduce the SkyShop product in LAC via Internet and "tag along" direct marketing when making mail deliveries and to US catalog companies, regional banks and credit card companies. SkyShop would be a product of SkyPostal.

**PosTrac, Inc – GPS PDA technology completion & field test** **\$1,500,000**  
**CAPEX - Regional rollout - 17,000 units** **\$6,000,000**

**Use of proceeds:** A separate entity: PosTrac, Inc would be formed. All tech assets in SkyPostal would be transferred to PosTrac. Proceeds would be used to complete the GPS-PDA prototype, field test with 200 units, upon proof of concept, CAPEX requirements for the manufacture of 1000 PosTrac™ GPS-PDA for full country coverage in Peru. Upon complete coding of Peru, deployment of 17,000 units in LAC region. Marketing of address databases and general working capital.

## Proposed Valuations & Funding Rounds

SkyPostal has placed a pre money value on its current mail logistics business at \$12 million.

It proposes to structure the financing as follows:

- |                       |  |
|-----------------------|--|
| 1 <sup>st</sup> Round | \$7,500,000 Equity investment for 38% of SkyPostal, Inc.<br>\$1,500,000 Convertible loan to PosTrac, Inc (Collateralized by patents, technology and manufacturing contracts.) PosTrac, Inc will own the databases. |
| 2 <sup>nd</sup> Round | \$6,000,000 Equity investment once the GPS addressing concept is tested and proven. Loan to be converted with equity investment for total of 50% of PosTrac, Inc.  |

## 4. Investment Considerations

- Once the non operating costs such as factor fees and high interest loans are eliminated, the company will be net income profitable generating about \$75,000 per month in 2008. This is without the acquisition of the last remaining competitor in Miami.
- Company is already providing reliable, time-defined, international "Intelligent" private postal services at lower costs than the USPS and the major European postal agencies, with higher customer satisfaction. It has contracts with La Poste & Deutsche Post to deliver mail in Latin America.
- Company has exclusive agreements with over 20 major local "correos privados" in 20 countries in the region. The network, using the PosTrac technology will facilitate the collection of a GPS address database and the networking of each of the local country operators into an integrated regional Intelligent Mail delivery network.
- The SkyPostal proprietary PosTrac™ System elevates the quality of delivery services provided by the network with performance measurement. It drives operating efficiencies through greater control over the delivery messenger with a pay per performance basis.
- Company has Letters of Intent from 19 of its delivery providers. Once the GPS-PDA technology is implemented, the company will be able to differentiate its product from the public postal services by offering automatic confirmation of delivery at no additional cost.
- The addresses and postal code databases will be licensed to delivery companies, governments, insurers, direct marketers, address location services such as MapQuest and postal administrations.
- Company will be able to export its PosTrac system to create other regional private postal networks in Asia, India, Eastern Europe. The regional network will be linked into a worldwide network using the PosTrac system and SkyPostal Branding.
- Highly experienced management team, recognized and respected throughout the international postal and courier delivery industry.
- SkyPostal is the first company to properly address on a region wide basis the need for a GPS digital address and postal code system to replace the inefficient descriptive address methods.
- Probable exit within 3-5 years via strategic transaction or IPO.

## II. THE COMPANY

### 1. Background

SkyPostal has developed the concept of "Intelligent Mail" and applied it to the distribution of mail in Latin America & Caribbean (LAC). It offers a time-defined, Internet visible mail distribution service at a fraction of what the Express-Courier Integrators charge for "overnight delivery", which in the majority of shipping situations is not required.

Using an established "outsourced" private messenger network, linked together via its proprietary PosTrac™ software, SkyPostal solves a vast market need for reliable and affordable "time defined" mail service throughout the region. The company does not have any assets deployed in Latin America and its business strategy will only use "outsourcing" to manage its LAC operations.

### 2. Postal Industry Overview –

**UPU Public Postal Network.** The worldwide Public Postal Network consisting of 190 countries' national postal service is regulated by the Universal Postal Union (UPU), an agency of the United Nations. The postal treaties provide that all countries must provide universal postal services to each other under the UPU Acts. The Acts specify regulations and procedures under which postal services are to be provided. In addition, the UPU establishes the tariff (terminal dues) that each country must charge the other for delivery of mail. Currently Industrialized Countries (IC-24 total) must pay the Developing Countries (DC) the equivalent of \$6.10 per kilo of mail delivered. The 166 DCs pay approximately \$5.50 per kilo to DC & IC Countries). IC to IC countries pay a much higher rate (REIMS II) based on monthly performance measured by the International Post Corporation (IPC-owned by the 24 Industrialized Countries)

**Deregulation of Postal Monopoly.** Several of the major Public Postal Operators have been privatized and the postal monopoly eliminated in several countries, particularly in Western Europe and Latin America. This trend has caused intense competition. Several of the large European Postal Services have begun marketing their services outside their national borders. As a result, the cross-border postal operators are seeking technological advancement to differentiate their product and are constantly striving to improve service at a lower cost than current UPU terminal dues. The European Union has mandated that all its 27 members must deregulate their markets by January 2009. Recent lobbying by several countries that are not ready to accept private competition has persuaded the EU to postpone total postal deregulation to 2013.

**Intelligent Mail.** The US Postal Service through extensive research has identified a need for Intelligent Mail. Intelligent Mail is defined as mail that is bar coded and tracked from posting to final delivery. The USPS has invested in technology and equipment to be able to provide this capability domestically. In November, 2004 it ordered 300,000 handheld scanners from Motorola (Symbol) at a cost of \$300 million. These scanners are not GPS equipped due to opposition by the Postal Workers Union. The service is currently in final testing phase and will be available to all mailers beginning January, 2008. The USPS can not offer Intelligent Mail service internationally since most foreign posts, especially in LAC, can not afford the scanner equipment and systems.

**Bar Coding of Commercial Mail in US.** In order for a US domestic mailer to receive a discount from the USPS, it must bar code its mail. The USPS has developed a 4 state bar code that must be printed on all mail items posted. Before posting, each mailer must process their mailing list thru the USPS CASS national address database. The CASS database has 144 million addresses which is updated every 60 days. The CASS system will clean up incorrect addresses, apply the 9 digit Zip Code, supply forwarding addresses on moves and assign a PostNet or 4 State Bar Code to each address record. The mailer must "CASS Certify" each mailing in order for him to receive any type of discount. SkyPostal intends to build CASS type databases of GPS digital addresses initially for LAC and eventually to each country it expands its private postal network. Commercial mailers using SkyPostal would be required to code their databases with SkyPostal's GPS postal code.



**Descriptive Addresses in LAC.** One of the biggest challenges facing most postal administrations in the LAC region is the lack of an efficient address system. In most countries, addresses are descriptive and postal codes have not been established. A survey of the top 20 postal administrations ranked by total country population indicates that only 8 have postal codes, but in only 3 countries are postal codes used by businesses because the postal services have not enforced or promoted the use of postal codes. The lack of postal codes and the use of descriptive addresses preclude any possibility of automation. Without automation, the postal administrations will not be able to improve the efficiencies of their mail delivery operations.

### **3. Direct Mail Response Marketing Industry in Latin America**

There is very little direct mail marketing in Latin America. The average American today annually receives 1050 mail items consisting of bills and unsolicited direct mail. In the UK, the average citizen receives 450 mail items per year. In LAC the average is 6 mail items per person per year. In a country like Brazil, which has a good postal service due to a good addressing and postal coding system, the annual average is 25 mail items per person. US and European direct response marketers like Dell have tried to obtain mailing lists, but the quality and reliability is very poor. In addition, those marketers who have used the USPS or their National Postal Service to deliver the mail items have become disappointed with the results since the USPS depends on the UPU Network of National Postal Services to deliver the mail in country. The service is poor because of the lack of a good addressing system, postal codes and the unavailability of lists and list hygiene systems.

Even if the lists were available, the management of the mailing lists would be a daunting task since the majority of the countries use descriptive 4 line addresses that can be written in many different styles. Without postal codes, street names and house numbers, the tools familiar to US and European marketers such as the merge-purge of lists, segmentation of lists by income, or other criteria is currently almost impossible.

Today the majority of the postal administrations in Latin America do not return undeliverable mail either to the local mailer or to the USPS or European postal service. Thus the mailer never gets to clean up his list. SkyPostal is presently compiling mailing lists derived from the delivery address databases built by several of its more progressive hand delivery providers (HDPs).

### **4. Market Overview and Opportunities**

SkyPostal operates in a specific market niche for the reliable, time defined (as contrasted with time sensitive) international delivery of business correspondence, bank statements, publications and small parcels addressed to LAC recipients. The potential market for this service, on a regional basis is estimated by the UPU to be between \$1.0 to \$1.8 billion. In 2004, the population of LAC exceeded 538 million and over 11 billion mail items were delivered in the region.

Overall first class letter mail volumes are decreasing by about 3% per year due to Internet banking and bill payment. Direct marketing consisting of advertising mail designed to drive consumers to the marketer's web site is increasing about 5% per year. Parcel Post, purchases made on the Internet, is also growing 5% per year.

The current UPU statistics indicate that most postal operators in LAC have reported a large decrease in volumes handled by their post offices. Domestic mail delivered by the national postal services in most of the region is well below 50%, and as low as 10% in Paraguay and 9% in Ecuador. It is estimated that 50% of the commercial mail market in Mexico, 55% in Argentina and 15% in Brazil is in private hands. The local private hand-delivery messenger services have captured most of the domestic business mail delivery market for bank statements, invoices and payments and continue to pose a serious threat to the national posts market share. In September, 2006 the Colombian national Post Office – AdPostal went bankrupt and liquidated its operations terminating all its employees. It reorganized with a total administrative staff of 15 persons and currently out-sources the little mail it receives from the UPU Network and "social mail" to private postal operators, some who are members of SkyPostal's hand delivery network in Colombia.

The number of local private postal messenger services in LAC has significantly increased over the past 10 years, as businesses have searched for more efficient alternatives to deliver their bills. Businesses that traditionally employed their own messengers for delivery of invoices and payments are outsourcing the mail delivery to the private postal operators. These businesses include banks, credit card companies, utility companies and in some countries, even the government uses private companies for the delivery of its tax forms. A case in point is our delivery partner in Peru, Urbano Express. In September, 2006 they acquired the delivery operations of Telefonica, which delivered 7 million land & mobile phone statements each month using 450 messengers. Urbano, owned by the largest shareholder in SkyPostal, currently delivers over 8 million mail items each month for Telefonica, banks and other local clients using 1000 messengers who are paid by the delivery. Urbano Peru has 45% of the domestic commercial mail market, with the National Post 9% and 46% shared among 250 private postal operators.

European postal operators have realized that in order to effectively compete in their markets, they must improve their delivery to LAC. Several of these European postal operators have turned to regional private postal operators who can provide time defined, hand delivery service with limited technology. SkyPostal is one these companies. The Company currently provides the best service in this niche market and is positioned to be the dominant provider of reliable, time defined international mail delivery in LAC and the developing world.

## **5. Competition – Mail Delivery Industry**

The Latin American competition for postal services is divided into national postal organizations, local private messenger services, express courier firms, and global re-mailers.

**National Public Posts.** Most of the LAC Public Posts are under-funded, lack technology and have high turnover of top management who usually are political appointees. This results in poor service and continuing loss of market share to the private postal operators.

**Private Postal Services.** Unlike the USA, where due to the Postal Monopoly, it is illegal to deliver mail via a private postal service, in LAC there are over 6,000 private mail services known as "*correos privados masivos*" to mass distribute commercial documents, bank and credit statements, utility bills and small packets either across town or nationally with limited technology. The National Postal Service is rarely used by businesses. These firms operate exclusively within their own boundaries and would benefit from world-class technology such as the SkyPostal PostTrac system. An intra-regional service will be added eventually as the international network for cross border mail delivery is developed.

## **Cross Border Postal Services**

**Global Express Couriers** - At the higher end of the postal services spectrum are the top express integrators that account for 12% of global airmail and express cargo. The major players are DHL, FedEx and United Parcel Service (UPS). We estimate that over 50% of the items tendered to these courier companies do not require time critical delivery. Instead the clients would like time specified delivery. 6 to 10 days delivery would be acceptable in the majority of the cases. The courier companies are used because there is no widely available time defined mail delivery service into Latin America that provides on line tracking visibility and proof of delivery. Once SkyPostal's low cost Intelligent Mail concept is implemented throughout the region the need for the much higher priced courier will decrease substantially since each mail item bar coded with the SkyPostal GPS postal code will be scanned and automatic confirmation of delivery provided without the expensive knock on the door for a signature. The scanning of the mail item bar code will provide date, time and GPS location of delivery.

**Global Re-Mailers** – are companies that transport mail internationally and arrange for posting in the foreign postal service. The companies operating in Latin America are: Deutsche Post's DHL Global Mail, Spring (a company owned 51% by Dutch Post Office) and United Express, a Miami based re-mailer.

## **6. Need for GPS-PDA Technology**

Most of the private postal services that form part of the SkyPostal hand delivery network have little or no technology capable of tracking individual mail items. The messengers are not provided with any PDA and instead use manual manifests. There is very little control on the messenger when he makes delivery. The PosTrac PDA, using GPS will ensure that the messenger delivers to the correct address and records the exact time the item was delivered. By using a digital address bar coded on the mail item, upon scanning the GPS triangulation checks to make sure that he is delivering at the correct location. The PDA will also calculate the messenger's pay, since it lends itself to compensating the messenger per GPS validated delivery instead of hourly. Most messenger services pay by the delivery with a minimum monthly guarantee.

In order to provide the online mail item tracking visibility that can compete with the courier/express companies, an inexpensive PDA scanner is needed to provide low cost mail delivery confirmation. SkyPostal has designed a GPS-PDA with Windows CE and scanner that can be manufactured for under \$400.

SkyPostal has entered into an agreement with a Taiwan Company to design a scanner to SkyPostal's specifications. The PDA units have a scanner, camera, signature capture capability. GPS receiver accurate to 5 meter radius, electric meter reader and is designed with industrial strength housing to support a 4 foot drop. Prototype have been produced and the software to run the PDAs has been written. It has already received FCC approval and Underwriters Lab certification. The final units will be produced in China. Plans call for the test production of 200 units for initial field testing. Afterward the prototype units a shaken down, 1000 units will be produced to equip all of the messengers in Urbano Peru. Once the addressing concept is completed and Peru coded, we will order 16,000 additional units on a staggered implementation plan to cover all of the 20 countries SkyPostal operates in.

## **7. SkyPostal Hand Delivery Network**

The SkyPostal network is composed of local "correos privados masivo" (HDPs) who principally deliver bank statements, utility bills, business bills received from local businesses and mail received from abroad via SkyPostal usually consisting of publications, commercial correspondence and advertising mail.

SkyPostal has already entered into agreements with the largest private messengers in all the major countries. Collectively, they deliver over 50 million items of mail per month and have over 17,000 employees in the region. In each country, there is usually a major HDP in the gateway/capital city who employs his own messengers and relies on an agent network of smaller messenger services to deliver in the rest of the country. PosTrac will tie this network together and permit better delivery data transfer between the network members. The standardization of the service will provide SkyPostal with a uniformed and measurable product throughout the region.

**Hand Delivery Network Used To Build Address Databases.** After the deployment of the GPS-PDA each messenger will serve as a "Data Collection Agent" to build a database of GPS coded addresses and mailing lists. SkyPostal has received commitments from several of the electric utility companies in LAC that will cooperate in building the GPS Address databases. This data will be used to create digital postal codes for each address in the LAC region.

**Regional Private Postal Franchise.** Once the network is linked with a uniform IT system and standard operating procedures, SkyPostal, will develop and implement a regional franchise system of private postal services which will offer uniform postal products under a brand name. The candidates will be the current SkyPostal service providers and their sub agents. SkyPostal, as their largest client, will have some influence in establishing the operating procedures and use of the IT system. SkyPostal has received 19 Letter of Intent from the current HDPs in the region to use the PDAs.

**OCR Scanning Equipment.** SkyPostal has reached agreement with ID Mail Systems to lease 2 high speed "Dispatcher" mail sorters with Optical Character Readers. Each machine costs \$280,000 and will be built to SkyPostal's specifications. The machines will be used to sort mail by country at the London and Miami hubs, capture the address to build address databases and spray an Intelligent Bar Code on each mail item to facilitate tracking.

**Applications of Technology - Other World Markets.** Once SkyPostal technology and operating systems are implemented in Latin America, SkyPostal will look at Asia, Eastern Europe, India and the Middle East who also suffer from poor national postal services and lack of good addressing systems. SkyPostal can expand to these markets using a licensing approach of its GPS digital address technology linked with a centralized IT system.

## **8. SkyShop – USA Address for Upscale LAC Consumers & USA Catalog Companies**

**Background.** In 1992 the owners of SkyNet Worldwide Express, trading on their pioneering experience in the courier industry in LAC since 1972, started SkyBox Services Corporation to provide upscale consumers in the region with the ability to make purchases from US catalog merchandisers. It was the first company to offer a region wide service with credit card payment facility. In partnership with American Express, SkyBox offered clients in Latin America and the Caribbean a physical US Address wherein they could receive mail and merchandise. With the advent of the Internet, the system was converted in 1997 to an online service.

By 2001 its facilities had become the US address for over 200,000 clients in the region, processing over 20,000 kilos per week of mail and merchandise. We received mail, magazines, books, CDs, DVDs, videos and other merchandise via all types of Express Carriers and the USPS. Within 24 hours the mail and merchandise was processed into individual's "virtual mail boxes" and shipped to destination country. Upon arrival, SkyBox personnel cleared the material and delivered to the addressee. Mail was delivered once per week and merchandise was delivered immediately upon customs clearance. All charges for services including customs duties were charged to the subscriber's credit card. SkyBox negotiated similar co-marketing agreements with the major credit card companies and some of the large catalog merchandisers.

SkyBox' success was seen by LanLogistics, a subsidiary of LanChile Airlines, who had decided to enter the "box" business with LanBox. After failing to replicate SkyBox' success, Lan decided to buy it. In March of 2001 SkyBox sold a majority share in the company and by the end of 2002 the founders, Albert and A.J. Hernandez, were completely out of the "box" business.

**Project Objective.** To draw on over 30 years experience in consumer marketing in Latin America, as well as 12 years in the "Box" business, to develop a "Box" service providing a complete turnkey system for ordering merchandise to delivering the items to client's doorstep.

**Product Overview.** SkyPostal is uniquely positioned to promote US e-commerce sales directly to the home of the international upscale consumer. By providing e-retailer companies with a complete turnkey operation SkyPostal must facilitate the order processing and provide overseas clients with the ability to make purchases in the US as if they were living in the US. For catalog marketers, this removes the inherent risks and customer service concerns of shipping internationally.

Strategic co-marketing alliances with companies that serve a targeted audience of international upscale consumers can provide an important source of client acquisitions; American Express, Visa, MasterCard, Direct TV, Ebay, Price Grabber etc.

**Core Product: A US Address.** This core product provides clients with their own US address with a uniquely assigned Suite Number, at which they can receive mail and merchandise and have the material forwarded to them via a mail delivery system similar to SkyPostal. The goods are delivered to the customer at his local address in a timely and efficient manner, and at a reasonable cost that is much less than International Express Courier.

It is important to develop added value product components to make it easier for the clients to get the most from their Box. These elements include the following integral services:

**US Internet and Catalog Shopping Facilitation.** Providing access to hundreds of top Internet shopping sites and mail order catalogs to box clients who can then purchase US goods from the convenience of their own homes will increase volumes as well as reduce attrition rates by creating incentives to get the most of the box. In the longer term, a further opportunity exists for the development of commission based relationships, and even the direct processing of customers' orders, thus leveraging SkyPostal's infrastructure in the region.

**US Magazines and Publications Fulfillment Service.** The service should provide convenient access to US subscriptions in over 700 leading and specialty publications at attractive US subscription rates. Thereafter through use of the Box address and delivery service it provides timely delivery of these publications direct to the clients' home or business address; once again increasing usage of the Box and reducing attrition.

**Hold Mail Service – Safe & Reliable Mail Reception & Storage.** There will be some customers that prefer that their mail not be sent to their country but be securely held in Miami pending their next visit to the US.

#### **SKYSHOP - MARKETING STRATEGY OVERVIEW**

**E-Commerce.** The continued increase in Internet penetration in Latin America makes this media an obvious vehicle from which to promote the service. It is vital to make the business as web-based as possible thus reducing the need for live customer service and making the Box experience a self service type of product.

**Customer Driven Opportunities.** The Box service provides customers with access to international goods and services not available in their home market and quality merchandise at a comparatively low cost, without the customers having to travel abroad. The Box service provides added value to customers with access to US magazines and publications at US subscription rates, plus a host of special offers that make the service even more attractive and convenient to use, combined with the security of timely and reliable delivery of all materials.

**Vendor Driven Opportunities.** The US address capability enables catalogs companies to reach a high profile international customer base without any of the complications normally associated with such international activities. This plan call for capitalizing on co-marketing agreements with major banks and credit card companies to bring access to its unique upscale international base (all with the convenience of domestic US delivery for the catalog companies) and to provide the retail companies with a turnkey system that handles all aspects of the receipt and international distribution of merchandise to the consumer.

**Co-marketing Alliances – History.** When SkyBox was founded, agreements with American Express Corporation developed on a regional and market by market basis enabled it to participate in co-marketing initiatives targeted to segments of American Express base of over 6 million upscale Cardholders in Latin America. The majority of the initiatives consisted of direct mail marketing and billing tag-alongs. It is important to find a strong partner for co-marketing that can provide a strong endorsement for the service. SkyPostal intends seeking a strategic agreement with Amex, since it is our understanding that the agreement with LanBox was terminated due to poor service.

**SkyShop System Development.** SkyPostal will be used for the processing of the mail and parcels and the current PosTrac System be modified to meet the needs of the Box business. PosTrac will cover most of the business logic necessary for the business. Changes and enhancements are needed in order to fully implement the Box model. Based on the potential volume and the time line that was provided, it will be much more efficient and cost effective to enhance PosTrac than to build a new program all together or purchase the application from a third party.

The Box business model is focused on the consumer. Enabling PosTrac to a more consumer based system will require the addition of Credit Card processing, consumer based marketing and a more robust system of Customer Service. (Consumer: Box Suite Client, Customer: Sellers that wish to sell their products via the Box Business Model)

Credit card processing only requires integration with a service provider that provides these capabilities. Some research and testing will have to take place in order to choose the best option but these providers are readily available in the market.

Consumer based marketing is more involved and requires changes to PosTrac to allow for the tracking of all aspects of the consumer and customer. This data gathering will in turn allow users to analyze and better cater to customer needs. Tracking demographics, referrers, cataloguers' sales activity, consumer purchase history, click history, etc. will be added to the system.

In addition to these, a more robust Customer Service system will have to be created. Due to the high demand of inquiries, a call center system will be designed that is fully integrated to PosTrac. These enhancements will enable PosTrac to be a more consumer based business model. Other changes are needed but are relatively easy to implement; the current proposal will create the foundation for the implementation of the more detailed processes.

The PosTrac Box system enhancements and modules described above plus a website are to be finished within a 3 month period in time for a year end holiday product launch. In order to comply with this constraint, we need to place 3 IT professionals on the project. This will require us to finalize the project in 4 months in order to have 1 month for testing and implementation.

## 9. Mail Logistics Customers, Services Offered and Revenue Models

**Mail Logistic Service Customers** - The Company's customers consist of major European postal authorities, retailers and re-mailers (also known as wholesalers).

**Postal Authorities** - Following a wave of privatizations in the late 1990's, European postal authorities have begun to compete aggressively with each other (in some cases, competing to handle each other's domestic mail). Publishing houses are typical customers, requiring bulk mail delivery service for periodicals to LAC. The Postal authorities offer these publishers lower prices than, for example, the USPS. They also offer more reliable and time defined delivery. They are able to offer such services because they have the ability to outsource mail delivery into LAC to companies like SkyPostal and Spring. These Postal Authorities realize an average margin of 20% to 25% on such outsourced delivery service, in addition to the marketing benefit of securing for their customers a higher level of service and satisfaction.

**Corporate Retail Customers** - Retail prospective customers include banks, publishers, direct marketers, credit card, finance, utility and large multinational companies. This will be the focus of the sales and marketing team, once the company is funded and able to develop one.

**Re-mailers** - These customers comprise private mail forwarding services that provide generally low quality service acting as intermediaries between the retail customers and the postal delivery companies. Re-mailers such as Brokers Worldwide in the US and MailFlight in the UK (both SkyPostal customers) have strong sales forces and are able to acquire and then outsource business to companies like SkyPostal.

**Mail Logistics Revenue Model** - The Company currently generates its revenues from delivery of bulk mail. The pricing for basic international delivery services is as follows:

<u>Customer</u>	<u>Unit</u>	<u>Price PerUnit</u>	<u>Gross Margin</u>
Postal Authorities	Kilo	\$6.00 - \$7.50	15%-20%
Re-mailers	Kilo	\$5.50 - \$7.00	15%
Retailers	Item	\$ .35- \$ .45	25%-35%

The Company currently realizes an average gross margin of 15 to 20% on its bulk mail delivery operations, which it expects will improve over time to 25% as a result of adjusting its customer mix and targeting retail clients in LAC.

## **10. Growth Strategy**

**Sales & Marketing – Mail Logistics.** The company will position itself as a wholesales offering a quality, lower cost alternative to the USPS. It will target European Postal Services and mail consolidators, private postal services and direct marketers in the USA and Europe. It will differentiate its service by offering the Intelligent Mail alternative by providing electronic databases and return of undeliverable mail. Once the PDA project is implemented, it will provide customers with automatic on line confirmation of delivery at no additional cost. It will also be able to assist marketers with mailing list rentals and distribution of direct mail items.

**Parcel Post – Amazon.** Parcel Post is the delivery of small packets and parcels via the UPU public postal network. Several of the cross border operators have begun to explore alternative delivery systems for parcels as they have for mail. The reasons are obvious:

1. On line package visibility – track and trace and confirmation of delivery that the public postal network can not provide.
2. Reliable, time definite service, with performance monitoring.
3. Lower costs than traditional courier express services wherein time critical delivery is not required and lower costs than current terminal dues applied to parcels

Deutsche Post has developed a Parcel Post product in the USA. Amazon is their largest client and their shipments are currently being sent via the UPU Network with no tracking or proof of delivery service. Due to USPS rate increases in Parcel Post in January, 2006 the DPGM product has become more competitive. SkyPostal has been working with DPGM to provide track and trace capability using the PosTrac system and signed an agreement to handle Deutsche Post parcels commencing April 1, 2006. SkyPostal has integrated its PosTrac with Deutsche Post, who in turn has integrated it with its customer.

**Acquisitions.** SkyPostal has reached an agreement with Spring to acquire its Latin American operations in the form of an asset purchase. Spring is a subsidiary of the Dutch Post Office that is owned 51% by Dutch PTT, 24% by Singapore Post and 25% by UK Royal Mail. The agreement, effective 1 August 2007, will provide SkyPostal with estimated additional annual business of \$6 million, improve gross profit margins by about \$480,000 in 2008 by combining networks and permit SkyPostal to expand its services to the entire Caribbean which is estimated to generate at least an additional \$600,000 per year in new sales. The Spring acquisition will immediately put SkyPostal on an EBITDA positive basis.

SkyPostal has also targeted the acquisition of the last remaining competitor in the LAC market based in Miami. We estimate the competitor has current annual sales of \$6 million, gross profit margins of 10-12% and bottom line breakeven or minor loss. We estimate that we can acquire this competitor for \$3 million in cash.

**Expansion to Far East, Eastern Europe & India.** These markets have similar characteristics as LAC with poor service provided by the national posts and poor addressing systems. The opening up of these markets will require travel and negotiations with local hand delivery services in these markets. The implementation of the PosTrac system will facilitate the development of the network in these regions. Once the service is established, it would be offered to current clients using SkyPostal to LAC.

**National Postal Services – PosTrac-PDA Addressing Technology.** SkyPostal has been in discussions with several Posts in LAC and the Middle East who have expressed an interest in licensing the PosTrac Addressing & Delivery Technology.

## **11. Intellectual Property**

**Process Patent** – SkyPostal has applied for 3 patents with the US Patent & Trademark Office. SkyPostal management and its patent attorneys believe that its postal zoning software and GPS PDA addressing process can be patented.

**Direct Response Marketers Needs for LAC Mailing Lists**- With the projected increase in direct mail to LAC resulting from the Free Trade of the Americas Act and other free trade agreements, marketers will be seeking mailing lists. Once the PDA technology is implemented, SkyPostal will be able to provide segmented lists by income districts in each capital city. The mailing lists will be a major asset of SkyPostal.

## **Branding of Local HDP Network – Franchise Private Postal Network**

After completion of the deployment of the GPS-PDA and implementation of a centralized IT system linking all of the HDPs in the Network, SkyPostal intends on introducing a branding strategy thru licensing to link the hand delivery network under the SkyPostal brand. This will facilitate regional advertising support to promote a cross border private postal service providing Intelligent Mail under uniformed service standards.

## **12. Management Team, Board of Directors**

### ***Albert P. Hernandez - Chief Executive Officer & President***

Mr. Hernandez has over 35 years of mail and messenger delivery experience and pioneer in developing the courier and mail delivery business in LAC. He graduated with an accounting degree and MBA degree from Iona College in New Rochelle, N.Y.

### ***Michael Knorr – Vice President Sales & Administration***

Mr. Knorr was EVP at Swiss Post USA from 2000 – 2006 responsible for all operations. He has been in the mail industry since 1985. He graduated with BBA in Management from Dowling College, Oakdale, NY

### ***A.J. Hernandez – Chief Operating Officer***

In 1993, Mr. Hernandez developed the SkyBox concept and spun it off into a separate entity, which was subsequently sold to Lan Chile Airlines in 2001. He has a BA from the University of North Florida, and an MBA from Florida International University

### ***Humberto Herrera - Vice President of IT***

Mr. Herrera has over 9 years experience in enterprise web application development and Design. He designed several LAC applications, ranging from the USPS Priority Mail to the Fiera.com e-commerce solution. He is a graduate of the University of Miami.

### ***TBA - Controller***

### ***Christian J. Weber – Director Europe.***

Mr. Weber with over 25 years experience in the courier/mail industry is based in London and responsible for sales and service in Europe. Formerly MD of SkyNet UK, and Sky Courier, Reston, Va. He has a BBA from Fairleigh Dickinson University in Teaneck, NJ.

**Non Executive Board.** Current Board of Directors is composed of

Guillermo Gulman (Attorney in Peru)

Robyn Harte Bunting – Partner in Hichens & Harrison UK Stockbrokers

Hayo Hummerjohann – International Logistics Consultant

David Fineman – Former Chairman of Board of Governors USPS

Klaus Knappik – Former Chairman of Board Deutsche Post-DHL Global Mail

Upon funding of SkyPostal, Mr. Klaus Knappick has agreed to serve as Chairman and Mr. David Fineman as a Director.



### 13. Current Capital Structure

	Shares Owned	Warrants Options	Convertible Shares	Fully Diluted	% Owned
Holston Investments (BVI)	7,946,780	0	0	7,946,780	27.6%
Hernandez Family (Management)	4,937,595	4,349,359	0	9,286,954	32.3%
Sloane Robinson Private Equity (UK)	2,087,146	250,000	490,196	2,827,342	9.8%
Tech Invests (Ireland)	444,120	50,000	98,039	592,159	2.1%
ACH Brokerage (Switzerland)	780,507	0	0	780,507	2.7%
Hichens & Harrison Brokerage (UK)	151,430	200,000	392,157	743,587	2.6%
Other Management	550,000	1,015,000	0	1,565,000	5.4%
Non Executive Directors	912,575	2,055,000	70,000	3,037,575	10.6%
Other Outside Shareholders	999,576	70,000	895,588	1,965,164	6.8%
	<u>18,809,727</u>	<u>7,989,359</u>	<u>1,945,980</u>	<u>28,745,067</u>	<u>100.0%</u>

### 14. Forecast – With \$6 million Investment & Acquisition in 4Q07 – Mail Logistics Business

#### Forecasted P&L - Summary - 2007-2010

	2007	2008	2009	2010
Revenue	13,202,590	26,050,443	30,079,325	33,882,667
COGS	10,231,946	19,454,871	21,654,043	23,539,660
Gross Margin	2,970,643	6,595,572	8,425,282	10,343,007
GM %	23%	25%	28%	31%
Salaries & Wages	2,187,500	3,114,325	3,375,854	3,667,071
SGA Expenses	835,482	1,227,160	1,538,876	1,706,093
Total SGA Expenses	3,022,982	4,341,485	4,914,730	5,373,164
EBITDA	(52,338)	2,254,087	3,510,552	4,969,843
	0%	9%	12%	15%
Depreciation & Amortization	47,073	17,410	30,830	55,025
EBIT	(99,411)	2,236,677	3,479,722	4,914,818
	-1%	9%	12%	15%
Interest & Taxes	160,656	87,895	10,827	11,770
NET INCOME	(260,067)	2,148,781	3,468,895	4,903,048
	-2%	8%	12%	14%

15. Forecast – With \$7.5 million Investment in PosTrac GPS Technology

16

Forecasted P&L - Summary - 2007-2010

	2007	2008	2009	2010
<b>Revenues</b>				
Revenue - LAC	16,032	3,434,094	6,597,583	8,915,945
Revenue - ASIA	-	454,090	2,589,571	6,258,007
<b>Total Revenue</b>	<b>16,032</b>	<b>3,888,184</b>	<b>9,187,154</b>	<b>15,173,952</b>
<b>COGS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gross Margin</b>	<b>16,032</b>	<b>3,888,184</b>	<b>9,187,154</b>	<b>15,173,952</b>
<b>GM %</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Salaries &amp; Wages</b>	<b>148,270</b>	<b>1,435,817</b>	<b>2,725,145</b>	<b>3,070,295</b>
<b>SGA Expenses</b>	<b>140,483</b>	<b>532,612</b>	<b>770,863</b>	<b>1,033,192</b>
<b>Total SGA Expenses</b>	<b>288,753</b>	<b>1,968,429</b>	<b>3,496,008</b>	<b>4,103,487</b>
<b>EBIDTA</b>	<b>(272,722)</b>	<b>1,919,755</b>	<b>5,691,146</b>	<b>11,070,465</b>
	<b>nm</b>	<b>49%</b>	<b>62%</b>	<b>73%</b>
<b>Depreciation &amp; Amortization</b>	<b>462,002</b>	<b>2,547,025</b>	<b>3,500,168</b>	<b>4,391,602</b>
<b>EBIT</b>	<b>(734,724)</b>	<b>(627,269)</b>	<b>2,190,978</b>	<b>6,678,863</b>
	<b>nm</b>	<b>-16%</b>	<b>24%</b>	<b>44%</b>
<b>Interest &amp; Taxes</b>	<b>2,504</b>	<b>57,864</b>	<b>277,318</b>	<b>1,713,643</b>
<b>NET INCOME</b>	<b>(737,228)</b>	<b>(685,133)</b>	<b>1,913,660</b>	<b>4,965,220</b>
	<b>nm</b>	<b>-18%</b>	<b>21%</b>	<b>33%</b>

16. Forecast – With \$1.5 million Investment in SkyShop – US Address

Forecasted P&L - Summary - 2006-2010

	2007	2008	2009	2010
<b>Revenue</b>	<b>441,250</b>	<b>4,507,500</b>	<b>8,455,500</b>	<b>10,261,000</b>
<b>COGS</b>	<b>134,529</b>	<b>2,261,475</b>	<b>4,564,965</b>	<b>5,982,030</b>
<b>Gross Margin</b>	<b>306,721</b>	<b>2,246,025</b>	<b>3,890,535</b>	<b>4,278,970</b>
<b>GM %</b>	<b>70%</b>	<b>50%</b>	<b>46%</b>	<b>42%</b>
<b>Salaries &amp; Wages</b>	<b>421,625</b>	<b>1,059,408</b>	<b>1,134,335</b>	<b>1,220,198</b>
<b>SGA Expenses</b>	<b>408,000</b>	<b>813,000</b>	<b>654,000</b>	<b>559,260</b>
<b>Total SGA Expenses</b>	<b>829,625</b>	<b>1,872,408</b>	<b>1,788,335</b>	<b>1,779,458</b>
<b>EBITDA</b>	<b>(522,904)</b>	<b>373,617</b>	<b>2,102,200</b>	<b>2,499,512</b>
	<b>-119%</b>	<b>8%</b>	<b>25%</b>	<b>24%</b>
<b>Depreciation &amp; Amortization</b>	<b>178,650</b>	<b>187,900</b>	<b>20,995</b>	<b>22,440</b>
<b>EBIT</b>	<b>(701,554)</b>	<b>185,717</b>	<b>2,081,205</b>	<b>2,477,072</b>
	<b>-159%</b>	<b>4%</b>	<b>25%</b>	<b>24%</b>
<b>Interest &amp; Taxes</b>	<b>-</b>	<b>-</b>	<b>298,303</b>	<b>991,883</b>
<b>NET INCOME</b>	<b>(701,554)</b>	<b>185,717</b>	<b>1,782,902</b>	<b>1,485,189</b>
	<b>-159%</b>	<b>4%</b>	<b>21%</b>	<b>14%</b>

CONSOLIDATED BUSINESS UNITS

Forecasted P&L - Summary - 2007-2010

	2007	2008	2009	2010	TOTALS
<b>Revenues</b>					
Mail Logistics	13,202,590	26,050,443	30,079,325	33,882,667	103,215,025
PosTrac	16,032	3,888,184	9,187,154	15,173,952	28,265,322
SkyShop	441,250	4,507,500	8,455,500	10,261,000	23,665,250
<b>Total Revenue</b>	<b>13,659,871</b>	<b>34,446,127</b>	<b>47,721,979</b>	<b>59,317,619</b>	<b>155,145,596</b>
<b>Cost Of Goods Sold</b>					
Mail Logistics	10,231,946	19,454,871	21,654,043	23,539,660	74,880,520
PosTrac	-	-	-	-	-
SkyShop	134,529	2,261,475	4,564,965	5,982,030	12,942,999
<b>Total COGS</b>	<b>10,366,475</b>	<b>21,716,346</b>	<b>26,219,008</b>	<b>29,521,690</b>	<b>87,823,520</b>
<b>Gross Margin</b>					
Mail Logistics	2,970,643	6,595,572	8,425,282	10,343,007	28,334,504
PosTrac	16,032	3,888,184	9,187,154	15,173,952	28,265,322
SkyShop	306,721	2,246,025	3,890,535	4,278,970	10,722,251
<b>Total Gross Margin</b>	<b>3,293,396</b>	<b>12,729,781</b>	<b>21,502,971</b>	<b>29,795,929</b>	<b>67,322,077</b>
<b>GM %</b>					
Mail Logistics	23%	25%	28%	31%	27%
PosTrac	100%	100%	100%	100%	100%
SkyShop	70%	50%	46%	42%	45%
<b>Average Gross Margin %</b>	<b>24%</b>	<b>37%</b>	<b>45%</b>	<b>50%</b>	<b>43%</b>
<b>Salaries &amp; Wages</b>					
Mail Logistics	2,187,500	3,114,325	3,375,854	3,667,071	12,344,750
PosTrac	148,270	1,435,817	2,725,145	3,070,295	7,379,527
SkyShop	421,625	1,059,408	1,134,335	1,220,198	3,835,566
<b>Total Salaries &amp; Wages</b>	<b>2,757,395</b>	<b>5,609,550</b>	<b>7,235,334</b>	<b>7,957,564</b>	<b>23,559,843</b>
<b>SGA Expenses</b>					
Mail Logistics	835,482	1,227,160	1,538,876	1,706,093	5,307,610
PosTrac	140,483	532,612	770,863	1,033,192	2,477,150
SkyShop	408,000	813,000	654,000	559,260	2,434,260
<b>Total SGA Expenses</b>	<b>1,383,965</b>	<b>2,572,772</b>	<b>2,963,738</b>	<b>3,298,545</b>	<b>10,219,020</b>
<b>Total SGA Expenses</b>					
<b>EBIDTA</b>					
Mail Logistics	(52,338)	2,254,087	3,510,552	4,969,843	10,682,144
PosTrac	(272,722)	1,919,755	5,691,146	11,070,465	18,408,645
SkyShop	(522,904)	373,617	2,102,200	2,499,512	4,452,425
<b>Total EBIDTA</b>	<b>(847,964)</b>	<b>4,547,458</b>	<b>11,303,899</b>	<b>18,539,820</b>	<b>33,543,213</b>
<b>Depreciation &amp; Amortization</b>					
Mail Logistics	47,073	17,410	30,830	55,025	150,338
PosTrac	462,002	2,547,025	3,500,168	4,391,602	10,900,797
SkyShop	178,650	187,900	20,995	22,440	409,985
<b>Total Depreciation</b>	<b>687,725</b>	<b>2,752,335</b>	<b>3,551,993</b>	<b>4,469,067</b>	<b>11,461,120</b>
<b>EBIT</b>					
Mail Logistics	(99,411)	2,236,677	3,479,722	4,914,818	10,531,806
PosTrac	(734,724)	(627,269)	2,190,978	6,678,863	7,507,847
SkyShop	(701,554)	185,717	2,081,205	2,477,072	4,042,440
<b>Total EBIT</b>	<b>(1,535,689)</b>	<b>1,795,124</b>	<b>7,751,905</b>	<b>14,070,753</b>	<b>22,082,093</b>
<b>Interest &amp; Taxes</b>					
Mail Logistics	160,656	87,895	10,827	11,770	271,148
PosTrac	2,504	57,864	277,318	1,713,643	2,051,330
SkyShop	-	-	298,303	991,883	1,290,186
<b>Total Interest &amp; Taxes</b>	<b>163,160</b>	<b>145,759</b>	<b>586,448</b>	<b>2,717,296</b>	<b>3,612,664</b>
<b>NET INCOME</b>					
Mail Logistics	-260,067	2,148,781	3,468,895	4,903,048	10,260,658
PosTrac	-737,228	-685,133	1,913,660	4,965,220	5,456,518
SkyShop	-701,554	185,717	1,782,902	1,485,189	2,752,254
<b>Net Income</b>	<b>(1,698,849)</b>	<b>1,649,365</b>	<b>7,165,457</b>	<b>11,353,457</b>	<b>18,469,430</b>
<b>% Net Income</b>					
Mail Logistics	-2.0%	8.2%	11.5%	14.5%	9.9%
PosTrac	-4598.5%	-17.6%	20.8%	32.7%	19.3%
SkyShop	-159.0%	4.1%	21.1%	14.5%	11.6%
<b>% Net Income</b>	<b>-12.4%</b>	<b>4.8%</b>	<b>15.0%</b>	<b>19.1%</b>	<b>11.9%</b>

## **15. Exit Strategy**

As SkyPostal grows, it will become an attractive takeover target by the cross border postal operators as Deutsche Post or La Poste or the express integrators seeking to enter the mail delivery market. In addition, mail services firms such as Pitney Bowes, who has been acquiring re-mailers and mail processors, will seek to control the distribution channel. Other express companies such as UPS or FedEx may also wish to enter the region thru the acquisition of the SkyPostal Network.

**Fwd: Executed Encore-SkyPostal LOI**

Monday, January 14, 2008 11:13 AM

From: "Richard Altomare" &lt;raaltomare@yahoo.com&gt;

To: "michael xirinach" &lt;xirinachsm@yahoo.com&gt;

Executed Encore-SkyPostal LOI.eml (1175KB)

Note: forwarded message attached.

Be a better friend, newshound, and know-it-all with Yahoo! Mobile. Try it now.

**Forwarded Message: Executed Encore-SkyPostal LOI**

Friday, December 28, 2007 1:42 PM

**Executed Encore-SkyPostal LOI**

From: "Albert Hernandez" &lt;aph@skypostal.com&gt;

To: raaltomare@yahoo.com

Cc: "Chris Gunderson" &lt;chgunderson@gmail.com&gt;, ajhernandez@skypostal.com

Encore-SkyPostal LOI - Executed (SkyPostal-Holston) 28Dec07.pdf (878KB)

Richard,

I pulled all stops to get this signed today. We have made commitments to Brazilian Post (\$150K) and to Mexicans (\$100k) that they will get paid by 4Jan08. If we fail to make the payments, our service will be interrupted as of 7Jan.

I trust that Encore will be able to make the planned deposit next week so that we can meet our commitments and avoid service interruptions in our 2 largest markets.

Thanks for your continued support.

Kind Regards,  
Albert

CONFIDENTIAL TREATMENT  
REQUESTED UNDER FOIA

E0000813

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**From:** "Albert Hernandez" <aph@skypostal.com>  
**To:** <raaltomare@yahoo.com>  
**Cc:** "Chris Gunderson" <chgunderson@gmail.com>; <ajhernandez@skypostal.com>  
**Sent:** Friday, December 28, 2007 5:42 PM  
**Attach:** Encore-SkyPostal LOI - Executed (SkyPostal-Holston) 28Dec07.pdf  
**Subject:** Executed Encore-SkyPostal LOI

Richard,

I pulled all stops to get this signed today. We have made commitments to Brazilian Post (\$150K) and to Mexicans (\$100k) that they will get paid by 4Jan08. If we fail to make the payments, our service will be interrupted as of 7Jan.

I trust that Encore will be able to make the planned deposit next week so that we can meet our commitments and avoid service interruptions in our 2 largest markets.

Thanks for your continued support.

Kind Regards,  
Albert

CONFIDENTIAL TREATMENT  
REQUESTED UNDER FOIA

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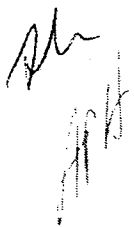
6/10/2008

## LETTER OF INTENT

Preliminary discussions have been held between representatives of Encore Holdings, Inc. ("Encore"), a corporation incorporated in the State of Delaware, and SkyPostal, Inc. ("SkyPostal"), a privately held Delaware corporation and Holston Investments, BVI, (Holston) the majority shareholder of SkyPostal, with respect to the proposal for Encore to purchase 60% of the outstanding shares of SkyPostal (the "Shares"). Encore and SkyPostal and the majority of the shareholders of SkyPostal representing 77% of the issued and outstanding shares at December 17, 2007 (the "Shareholders") have agreed on the major terms of the proposal for Encore to acquire the controlling interest in SkyPostal and the parties agree herein to negotiate further toward a definitive written agreement for such purposes. These major terms are:

1. Encore will acquire 60% of the outstanding shares of SkyPostal for the consideration set forth below:
2. The consideration for the SkyPostal Shares, subject to Encore obtaining appropriate, necessary and acceptable funding, will be as follows:
  - a. The total purchase price for the Shares is \$6,000,000 or \$.50 per share for a total of 12,000,000 common shares, payable as follows:
    - b. A deposit of \$750,000 on or before January 2, 2008, to be collateralized by SkyPostal's unencumbered accounts receivable which at no time would be less than \$750,000, all intellectual property related to the SkyPostal PosTrac System, including software source codes, patent filings, PDA prototypes, schematics and manufacturing agreement with Domex, Inc. As of the date of this letter of intent, no further accounts receivable may be encumbered or factored by SkyPostal without the written consent of Encore. Encore is hereby granted the same collateral applicable to the current convertible note holders.
    - c. Following a period of "due diligence" to be completed by January 30, 2008 the parties agree to work together to complete and execute a definitive purchase agreement no later than February 15, 2008.
    - d. Following Encore's arranging for new financial agreements with note holders, lenders and partners satisfactory to Encore, an additional payment of \$2,250,000 to be disbursed at the Closing, which shall occur no later than March 31, 2008, and
    - e. The balance of \$3,000,000 to be paid to SkyPostal in 24 equal monthly installments of \$125,000 each, beginning 30 days from the Closing,

CONFIDENTIAL TREATMENT  
REQUESTED UNDER FOIA



- f. The total amount of Shares to be purchased by Encore shall be 12,000,000 common shares to be issued by SkyPostal to Encore at the Closing following a restructuring by SkyPostal of its common shares in order that, following such restructuring, the 12,000,000 common shares to be purchased by Encore at a unit cost of US\$ .50 per share will constitute 60% of the total outstanding shares of SkyPostal at the time of the closing. Encore acknowledges that SkyPostal has issued convertible loan notes, with varying maturity dates, in the amount of \$2,874,788 with corresponding warrants attached. In the event that all of these loan notes are converted and the warrants exercised they will convert into approximately 3,000,000 common shares of SkyPostal. SkyPostal shall not at any time issue any other shares that would make Encore's share interest less than 60% subject to the loan note conversion, Rights Offer and warrant exercise described herein. In any such event, Encore's share interest shall not be less than 60%. Any issuance of shares by SkyPostal or transfer, assignment or sale of SkyPostal shares by the Shareholders shall require Encore's advance written consent. With respect to stock redemptions that may be agreed to by SkyPostal and Encore, Encore will have the option at the appropriate time to redeem such shares. Any exchange of SkyPostal shares for SkyPostal's convertible notes shall not affect Encore's 60% share ownership and, if necessary, additional SkyPostal shares will be issued to Encore. Encore agrees to return any shares it redeems or exchanges of SkyPostal to SkyPostal's treasury.
- g. The deposit, payment at closing and installment payments as stipulated in item (c) above represent the purchase of 12,000,000 shares of SkyPostal Common Stock at a unit share price of \$.50 per share. In the event that Encore fails to make timely monthly payments as provided in item (c) above, Encore will have 60 days to cure. Failure to do so will constitute a default by Encore and the full amount of the remaining installment payments will be due and payable. If the full amount is not paid within 60 days of notice of default, Encore will surrender the equivalent number of SkyPostal shares at a unit price of \$.50 per share corresponding to the full outstanding balance of the installment payments
3. Encore shall have majority control of the SkyPostal Board of Directors. The SkyPostal Board shall consist of five members.
4. As an inducement for Holston to enter into this Letter of Intent, Encore agrees to recognize the Non Compete and Stock Redemption agreement between Holston and SkyPostal dated December 15, 2007. The principal terms of such agreement are:
- a. SkyPostal agrees to pay Holston a quarterly fee per schedule A as consideration for Holston's Non Compete Agreement.
- b. SkyPostal agrees to grant Holston a put to redeem SkyPostal shares it owns per the attached stock redemption schedule B. Encore will have the option to pay for the shares in cash or if Encore is listed and quoted on a recognized stock exchange in registered and freely tradable stock of Encore.



5. SkyPostal will honor the current employment agreements of Albert P. Hernandez, President and Chief Executive Officer of SkyPostal and AJ Hernandez Chief Operating Officer with renewals for continuous two year periods.
6. Share options as defined in the current SkyPostal Employee Stock Option Plan will be issued, as a percentage of salary, and incentives based on future net profits of SkyPostal will be offered to key employees and finalized in the Closing agreements.
7. Encore will seek a listing on a suitable American or appropriate foreign exchange on or before April 30, 2008. The initial stock offering is expected to exceed \$1.50 USD per share. Following the listing and stock offering, SkyPostal shares may be exchanged for Encore shares to be valued at no less than \$1.00 per share, provided that Encore's share ownership in SkyPostal shall never be less than 60%. Encore agrees to exchange the SkyPostal shares of the SkyPostal convertible note holders, upon conversion pursuant to their loan notes into registered and fully tradable shares of Encore on a per share valuation to be agreed upon prior to Encore's listing but not less than \$1.00 per share.
8. All information obtained by Encore from SkyPostal or by SkyPostal from Encore shall be held in strictest confidence and, if the acquisition of SkyPostal by Encore should not be consummated, such information will not thereafter be used by Encore or SkyPostal, respectively, or any parties connected with them, and such information will be returned, upon request.

This Letter of Intent shall not constitute an agreement or an offer to sell or an offer to purchase. The parties intend to negotiate further toward definitive written agreements related to the acquisition by Encore of SkyPostal, to contain such conditions, representations, warranties and indemnities acceptable to the parties and shall be subject to the approval of the chief executive officers of the parties and their respective Boards of Directors. Any party, at any time, prior to the execution of such written agreement, may terminate negotiations, without liability to the other parties. Encore and SkyPostal and their respective Shareholders will be bound to the terms and provisions contained herein upon the receipt of the deposit by SkyPostal.

After payment of the \$750,000 deposit, no other party may purchase SkyPostal without repayment of the full amount of the deposit to Encore. After payment of the deposit, Encore shall have a right of first refusal for 15-days to match in approximate value any other bona fide and good faith purchase proposal from another purchaser with financial ability to complete the purchase. In any event, the deposit will be returned to Encore if the parties fail to close this transaction, except that in the event that Encore fails to obtain the full amount of the funding contemplated herein and thus a closing can not occur due to no fault of SkyPostal, the deposit will be converted into a term loan due and payable on March 31, 2010 and will bear an interest rate of 10% per annum, payable monthly. The collateral will continue in effect until repaid. Except with respect to purchase price terms of payments and initial deposit date, Encore will have a ten (10) days grace period with respect to all of dates for Encore's performance hereunder.

SKYPOSTAL, INC.

By: 

Albert P. Hernandez  
President & Chief Executive Officer

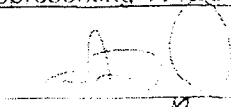
Dated: December 28, 2007

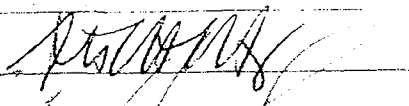
HOLSTON INVESTMENTS, INC.

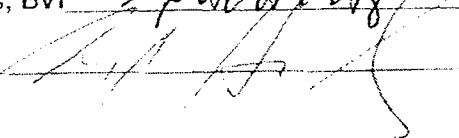
By: 

Steven H. Hagen  
Vice President

SHAREHOLDERS Representing 77% of the total outstanding shares at 17 December 2007 AGREE:

AJ Hernandez 

Holston Investments, BVI 

Albert P. Hernandez 

ENCORE HOLDINGS, INC.

By: \_\_\_\_\_

Schedule A - Non Complete Compensation Schedule		
Payment No.	Payment Date	Amount Due
1	1-Apr-08	\$ 70,000
2	1-Jul-08	\$ 66,500
3	1-Oct-08	\$ 63,000
4	1-Jan-09	\$ 59,500
5	1-Apr-09	\$ 56,000
6	1-Jul-09	\$ 52,500
7	1-Oct-09	\$ 49,000
8	1-Jan-10	\$ 45,500
9	1-Apr-10	\$ 42,000
10	1-Jul-10	\$ 38,500
11	1-Oct-10	\$ 35,000
12	1-Jan-11	\$ 31,500
13	1-Apr-11	\$ 28,000
14	1-Jul-11	\$ 24,500
15	1-Oct-11	\$ 21,000
16	1-Jan-12	\$ 17,500
17	1-Apr-12	\$ 14,000
18	1-Jul-12	\$ 10,500
19	1-Oct-12	\$ 7,000
20	1-Jan-13	\$ 3,500

Schedule B - SkyPostal Stock Redemption Schedule			
Redemption No.	Redemption Date	Shares Redeemed	Amount Due
1	1-Apr-08	160,000	\$ 160,000
2	1-Jul-08	160,000	\$ 160,000
3	1-Oct-08	160,000	\$ 160,000
4	1-Jan-09	160,000	\$ 160,000
5	1-Apr-09	160,000	\$ 160,000
6	1-Jul-09	160,000	\$ 160,000
7	1-Oct-09	160,000	\$ 160,000
8	1-Jan-10	160,000	\$ 160,000
9	1-Apr-10	160,000	\$ 160,000
10	1-Jul-10	160,000	\$ 160,000
11	1-Oct-10	160,000	\$ 160,000
12	1-Jan-11	160,000	\$ 160,000
13	1-Apr-11	160,000	\$ 160,000
14	1-Jul-11	160,000	\$ 160,000
15	1-Oct-11	160,000	\$ 160,000
16	1-Jan-12	160,000	\$ 160,000
17	1-Apr-12	160,000	\$ 160,000
18	1-Jul-12	160,000	\$ 160,000
19	1-Oct-12	160,000	\$ 160,000
20	1-Jan-13	160,000	\$ 160,000



**Holiday Season**

Monday, December 24, 2007 8:33 AM

**From:** "Richard Altomare" <raaltomare@yahoo.com>

**To:** "michael xirinach" <xirinachsm@yahoo.com>

Divorces like unfair and unfriendly takeovers can raise havoc with our emotions during the Holiday Season. You may not yet see the wisdom of investing with my foreign company trading overseas, but you can still talk to me if you need a friend during the next few weeks. I Rich

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Be a better friend, newshound, and know-it-all with Yahoo! Mobile. Try it now.

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