

PHOTOVIOLATION TECHNOLOGIES CORP.

(OTC BB:NCII)

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Recent Price: **\$1.63**  
 Target Price: **\$7.50**  
 (12-month)

SPECULATIVE STRONG BUY RATING

Corporate Headquarters

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 V3W 3B2  
 CANADA

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Changing the Way the World Pays for On-Street Parking

Company Overview

Photo Violation Technologies Corp. is a parking meter company that holds the exclusive, worldwide license for the PhotoViolationMeter™ (PVM) and the PVM System. PVT's proprietary, integrated parking management PVM system utilizes the patented PVM coupled to MeterLink™ through which the Company offers state-of-the-art parking solution for cities, towns and municipalities. This revolutionary new parking system has patented technology that makes PVM the only meter in the industry, which can enforce itself by issuing photo violations routinely and is designed to increase a city's parking revenues up to 5 times without an increase in rates.



- Photo Violation Technologies Corporation has executed a binding Letter of Agreement to take over Natco International, Inc. once its 3-year financial audit has been completed.
- The revenue model allows for an **initial profit** on the manufacture and sales of hardware. Then, on an on-going basis, there is a continuing revenue stream from sales of management software systems, plus monthly service contract and royalty payments.
- Based on 21,500 installed meters, conservative projections indicate **PVT can generate sales approaching \$129 million by the end of year 5** resulting in forecasted **net income over \$32 million**, or over \$1,400 per double-head meter per annum.
- PVT has successfully forged relationships with **Fortune 500 companies** and global suppliers such as **IBM, Cisco, Honeywell, and Motorola** and is working with these **partners to develop the world's most sophisticated parking system.**
- Now that product development is completed, Management is **fully focused on pilot projects and generating initial orders.** PVT has been testing the PVM system on the **Endowment Lands of the University of BC** and at the **Port of San Francisco** and has been implemented at the **Niagara Falls** tourist site & downtown core in NY State.
- Results thus far have **exceeded company expectations.** In order to make the company's business models work, each double-head PVM needed to issue 15 violations per month. The tests have documented that each **PVM is in fact issuing over 150 violations per month compared to a national average of only 3.**
- Based on data provided, Sean Lanigan B.Eng. (Civil), MBA, LL.B of Wishing Tree Inc. has established a **fair market value for the PVT patent of \$133 million.** This value of the US Patent **excludes additional patents already issued** and are still **pending.**
- **This new technology has begun to revolutionize parking management and collection for Cities & Municipalities. With over 100 million parking spaces in the US alone, the potential for large-scale adoption is enormous. We classify the shares in our SPECULATIVE STRONG BUY rating category. Our positive stance is as a direct result of the market capitalization that appears very modest in light of both our valuation framework incorporating 5-year revenue and profitability projections and is further supported by an independent third party valuation of the patented technology and given that the market appears unexploited and low awareness exists of PVT and its blockbuster PVM & PVM System technology that holds tremendous promise of significant annuity income. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 20-22).**

NATCO INTERNATIONAL INC.	
<i>(all figures in millions)</i>	
Fiscal Year End	31-Mar
Fully Diluted Shares Outstanding	15.1
Float (approximately)	NA
Share price (10/15/2007)	1.630
Market Capitalization	24.5
Average Volume (3 months)	0.032
Insider Ownership (approximately)	NA
Institutional Ownership	NA
Enterprise Value (EV)	NA
Reporting Jurisdictions	Fillings made with SEC
Date of Formation	May 14, 1999
Governing Jurisdiction	Delaware
Auditor	Moore & Associates
CUSIP Number	63227R 10 5
Transfer Agent	Pacific Stock Transfer

## THE COMPANY

Photo Violation Technologies Corp. (PVT) is a private Canadian corporation, headquartered in Vancouver, Canada, with subsidiaries in Europe and Asia, that has developed a patented, **technologically innovative parking meter system** - the **PhotoViolationMeter™**. Photo Violation Technologies Corp. has successfully **forged relationships with Fortune 500 companies and global suppliers such as IBM, Honeywell, and Motorola**. These relationships bolster prospects for Photo Violation Technologies Corp. to achieve success on a global scale. Photo Violation Technologies is proud to be working with these partners to **develop the most sophisticated parking system available** today. Together these partners are **Revolutionizing The Parking Industry™** by **Perfecting How People Park™** through the PhotoViolationMeter™ solution.

Manufacturing facilities are located in Thailand while its core UK subsidiary – PVT UK was established in 2004. PVT's US subsidiary is presently being opened. The company holds the **exclusive, worldwide license for the PhotoViolationMeter™ (PVM) and the PVM system**. This system is a proprietary, integrated parking management system that utilizes the patented PVM coupled to **MeterLink™** through which PVT offers state-of-the-art parking solutions for cities, towns and municipalities guaranteeing **at least three-fold increase in net parking revenue**. Meterlink™ is the Company's back end parking management software that is fully integrated with the PVM.

The PVM is a fully automated, wireless, user-friendly digital parking meter with a **built-in camera** and the **capability to take payment by cash, credit card or debit card**. A user can even call the meter by cell phone to order additional time. There is also the option of authorizing the meter to add additional time to your credit card automatically called the **No Fine Feature™**, which, by itself, is a huge customer convenience factor. A PVM knows when a car arrives because of a buried sensor in the parking space, and it knows when it leaves at which time it automatically resets itself to zero making the next user pay a correct fare in full. If a car leaves with a by-law infraction – an expired violation, extended-stay violation, non-payment violation, etc. The **PVM uses an already stored photo of the automobile license plate to generate a parking ticket to the car owner**. This feature ensures there are **zero missed infractions**.

The PVM and PVM System have been **developed over a period of 5 years**. Since 2003, PVT has undertaken the design, development and testing of the product in Thailand. Final development and testing have recently been completed in the Company's Vancouver facilities, and the PVM system is now fully operational and being commercialized. The system is completely self-enforcing removing the need for municipalities to hire numerous Parking-Enforcement Officers to do nothing more than check parking meters, which is a haphazard strategy and rendered outdated with this latest technology. This **revolutionary new parking management and fare collection system is finding appeal with Civic Treasurers**. Parking space rental and parking violations are a huge source of revenue for cities and municipalities. Through already completed field tests, the capital cost of the double-head **PVM has been shown to have a recovery period of less than one year compared to 2 years for a standard meter**. Additionally, there was a huge increase in monthly net revenues per meter averaging 350%.

From a corporate point of view, the revenue stream to PVT is gigantic. There is the initial profit on the manufacture and sales of hardware. Then, on an on-going basis, there is a **continuing revenue stream from sales of management software systems, plus monthly service contract and royalty payments**. Based on 43,000 installed meters, conservative projections show PVT enjoying **sales over \$255 million by the end of year 5** generating net income over \$64 million or **\$1,500 per double-head meter per annum**. And with 100 million parking spaces in the US alone, the potential is evident.

## ADVANCED TRIAL/PILOT PROJECTS

The Company is currently testing, on a pilot basis, the PhotoViolationMeter™ and the PVM System on the **University Endowment Lands at the University of British Columbia**, through arrangements with the **Provincial Government of British Columbia**. The Company installed PhotoViolationMeters™ (PVMs) in July 2006. 3 PVMs to manage 6 parking stalls were installed on a block, with original coin operate meters kept on-site not only to manage the other 6 parking stalls but also to provide some base-line statistics.

Despite the fact that it was summer holidays (the selected location being far busier during the school months) the PVM still managed to generate over **67% more revenue than the coin operated machines** over the same 10 day period as shown in the table on the following page.

**Cash-Out for 6 Stalls** (September 2 - September 12)

	Cash	% paid with Cash	Credit Card	% paid with Credit Card	Total	Overall increase in revenue
<b>PhotoViolationMeter™</b>	695.75	84%	136.00	16%	831.75	67%
<b>Coin Operated Meter</b>	497.55		0.00		497.55	

Source: Company

The PVM has already **collected 67% more revenue** than the Provincial Government coin operated meters. The Company attributes this to two factors. First, drivers are taking advantage of the **Every Way to Pay™** feature and secondly, the Company is capitalizing on the fact that with sensors cameras and visible warning signs people are now aware that they are being held accountable for their actions. As evidence the powerful presence of the meter, people frequently drive up to the machine only to pull away and park elsewhere at an old parking meter. More importantly, the data shows that PVM is issuing violations in its database, but such violations are not being issued or collected by the Provincial Government who requested that the violation indicator be disabled. The purpose of this trial was to obtain statistics on what has previously been impossible, namely the number of people that do not pay for parking. Accordingly the Company disabled the feature that allows PVM users to pay a fine. The Company plans to turn 'on' this feature in the near future; to allow the PVM to begin collecting fines at the meter, which in turn allow the City/Town/Municipality to **double or triple its revenue**.

PVT was also selected for a second trial project at the **Port of San Francisco**. This trial project is very high profile demonstration project as it is with the Port of San Francisco along the waterfront, which is one of the busiest tourist areas in the city. In addition to being asked to participate in a trial project for one of the top 5 US Cities, the trial will also compare the PVM's performance against all of the top parking meter companies, including **Parkeon, Cale, Digital, Metric, MacKay and Duncan**. This trial is of high importance to PVT as the results are being closely watched by neighboring municipalities such as Los Angeles, West Hollywood and the City of San Francisco itself. San Francisco alone has 23,000 meters so the trial is of major importance. The PVMs and PVM System are operating successfully and the initial results for the first 3 months of operations have exceeded the Company's expectations.

Month	# of Cars for 6 Stalls	Pull In, See PVM & Drive Away to Non PVM		Payment Made		No Payment Made		# of Times Payment Made But Meter Expires		# of Violations Occurred	# of Violations Issued by PVM
July	73	10	13%	33	45%	30	0.41	14	19%	44	44
August	64	11	17%	30	46%	23	0.35	12	18%	35	35
September	84	11	13%	51	60%	22	0.26	26	30%	48	48

As the results show, the PVM lets no violation go unnoticed or un-issued. Drivers simply cannot get away with not paying. The difference between the PVM and traditional forms of parking management is dramatic: where the national average for violations per month per stall is 3, the PVM issues an average of 5 violations per stall per day – or a comparable average of 150 per month. Consider the opportunity cost of not installing a PVM: if a fine yields say \$25 per violation, not being able to capture these violations **translates into a loss of \$3750 per meter per month!** The trial project was completed in March 2007.

Successes in the previous advanced field trials led to the **City of Niagara Falls** in New York State and others to approach PVT requesting larger trials. The City of Niagara Falls has installed 100 of the user friendly, high revenue generating units in the downtown core for a **6-month test trial, which started on July 10, 2007**. Provided that the meters perform to specifications, the mayor will recommend purchase of the equipment to City Council. As a part of the project, PVT will install a wireless communications network in Niagara Fall's downtown area to supply wireless access for the PVT trial as well as free Internet service for residents. This free Internet access is called **WiCity™** and is receiving a tremendous amount of attention. The **PhotoViolationMeters™** will take advantage of the wireless technology by using its wireless feature to perform real time credit card authorizations as well as provide remote meter operations. PVT expects to have the support of IBM, who will be responsible for the software and back-end server used to manage the **PhotoViolationMeters™**. In addition, IBM will handle maintenance and ongoing service of the machines.

## INDUSTRY

The International Parking Institute (IPI) estimates there are more than **105.2 million parking spaces in just the US**, with the ratio of off-street spaces to on-street spaces being roughly 2-to-1. It estimates that the **parking industry generates at least \$26 billion of revenue on an annual basis on this space. More than half of this amount is directly attributable to public sector parking operations** run by cities, colleges and universities, airports, hospitals, sports arenas and so on. The remainder comes from commercial parking facilities, shopping centers, office buildings, hotels and similar private operations. The parking profession **employs more than one million Americans** in a variety of professions such as parking administrators and staff members, enforcement officers, maintenance personnel, cashiers, parking valets, office personnel, parking related manufacturing employees and information management specialists working in the industry.

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

The **IPI estimates that there are between 5 and 6 million parking meters in North America** and that a significant and expanding meter market is made up of cities throughout Asia, South America, Central America, the Middle East and the Pacific Rim. A large majority of these meters are mechanical – wind-up and retrofitted or ‘fixed-up’ meters. Sample Cities in North America with this meter type include Toronto (11,000 meters), New York (68,000) and Los Angeles (47,000).

**PVT’s market consists of mainly large municipalities (approximately 2600 in North America) and/or private parking firms that manage their own properties or city contracts.** An average size city has **6500 parking meters and represents one-time sales revenue of \$39 million** with an **annuity stream revenue over 5 years at approximately \$32.5 million.** Municipalities are very receptive to new means of increasing parking management efficiently and generating increased revenue without rate increases. For example, the **City of Los Angeles has reportedly spent \$7 million at the end of the last decade to retrofit its parking meters from mechanical type to electronic meters.** The Executive Director of Parking for New York City, states that the City is always investigating new developments in parking technology. The District of Columbia signed a \$25 million contract for the installation and maintenance of 15,000 meters throughout the City of Washington. The move was made in order to replace 7000 vandalized parking meters as the broken meters represented lost revenue of \$400,000 per month. Officials said new digital meters would eventually generate more than \$15 million in annual revenue. New York City collects almost \$300 million annually from parking related fines. Most cities charge at least \$25 for ordinary parking violations.

Lockheed Martin IMS conducted the most definite and recent survey in September 1996, encompassing **37 North American Cities.** The authors of this study report that the average municipal (public) parking meter program:

- Consists of about 6200 meters.
- Utilizes more meters today than it did 10 years ago.
- Is testing and evaluating electronic meters.
- Collects more in meter revenue today than in any of the previous 10 years.
- Accrues Average revenue of \$708 in revenue per meter per year.
- Spend nearly half of its operating budget on personnel costs.
- Operates at a cost benefit ratio of \$1 spent for every \$3 earned.
- Outsources at least one function to another municipal department or to a private services vendor.
- Incurs an average meter downtime rate of 4.8%.
- Issues an average of 3 tickets per meter per month.

There are an estimated **10 million meters in North America and Mexico with an average life expectancy of 15 years.** It is therefore reasonable to assume that a minimum of 700,000 meters are being sold each year as replacement meters in addition to the incremental meters being installed. Price varies from \$1500 for an ‘old technology’ double head meter to \$5,500 for the newer generations of meters.

Securing a contract to replace the meters of only one average city would generate over **\$37 million in gross revenue and over \$9 million in operating profit, based on the average municipal parking meter program having approximately 6200 meters. This also excludes the ongoing royalty revenue generated year to year after the one time sale of the product. It is estimated this could generate another \$4,263,120 in royalties annually and another \$1,884,000 in possible parts and services revenue.**

Management of PVT Corp. used the Lockheed Martin Survey findings for the following market assumptions:

- Demand exists to replace older, mechanical meters with more up-to-date meters such as the PhotoViolationMeter™.
- The PhotoViolationMeter™ (PVM) can improve the current \$1 to \$3 cost benefit ratio to a cost benefit ratio of **\$1 spend for every \$10 earned!**
- The use of PVM can reduce the average downtime since it is able to report its condition and be repaired remotely through a cellular modem connection.
- The trend towards outsourcing at least one parking meter function may represent an opportunity for the Company to generate secondary revenues by managing on street parking, which it can easily administer from its head office because of its connection by cellular modem to each of its units.

## **PRODUCT OVERVIEW: THE PHOTOVIOLATIONMETER™ SOLUTION**

Photo Violation Technologies Corporation has developed the patented PhotoViolationMeter™ Solution that is **Revolutionizing the Parking Industry™ by Perfecting How People Park™.** Parking is a critical component of transportation policies and management for municipalities. On-street parking is a key factor for promoting business and tourism locally. It is vital for municipalities to invest in user-friendly solutions geared to the future. Now you pay for time used, no more, no less!

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



**PhotoViolationMeter™ (PVM)**

The self-enforcing PhotoViolationMeter™ is beneficial for drivers and their municipalities.

It makes parking convenient for drivers with its No-Fine Feature™, the Grace Period Feature™, and makes the need for loose change a thing of the past since there is Every Way to Pay™.

Self-enforcement as well as wireless real time auditing lightens the workload for enforcement officers. With its ability to detect the presence of a parked car, and fine vehicles that have not paid or overstayed, it is expected to bring in 5 times the revenue of traditional parking meters.



The PhotoViolationMeter™ Model ILJ 2



The PhotoViolationMeter™ Model ILJ 1

**The ParkCardMeter**

In an effort to continue Revolutionizing the Parking Industry™, Photo Violation Technologies Corp. introduces another new way to Perfect How People Park™.

With technological advancements and the desire to increase driver convenience, PVT has partnered with industry leaders in Cashless Parking Management to develop wireless payment technology options that give drivers the ability to park worry-free.

Users can pay with ease by swiping prepaid parking cards, pay-by-phone, or using their credit cards right at the meter.



The ParkCardMeter™ Model PCM2



The ParkCardMeter™ Model PCM i2

## Wireless MeterLink™ Software



MeterLink™ Wireless Management Software is Internet-based over the GSM/GPRS Network. It is easy-to-use software for use with MS Windows, with multi-language capability, online reports, and single user or network configurable.

With PVT's MeterLink™ Wireless Meter Management Software you can control all PVM activity and performance centrally. Whether staff are within 1 or 1,000 kilometers, or across the world on holiday, central management control is only a mouse click away.

### MeterLink™ consists of 3 main parts:

ServiceLink™ - A self-monitoring software, keeping you constantly up to date with the status of your PhotoViolationMeters™.

PaymentLink™ - A software allowing you to find out instantly exactly how much money your PVMs are earning individually, or as a whole unit. It also keeps historical data and statistics for each PVM.

ViolationLink™ - Software manages all of the violations generated by the PVMs or by the PhotoViolationHHU™ as they occur. Collection notices can be generated by the program along with the pictures of license plates.



### The PhotoViolationHHU™ (Hand Held Unit)

PhotoViolationHHUTM is built upon the hand Held Products of Dolphin 9500, a state of the art handheld unit that incorporates wireless two-way communication, embedded digital photography and Bluetooth communication. Even though its equipped with a digital camera and wireless mobile phone functionality, the PhotoViolationHHU™ weighs less than 2lbs and has a battery that can last for 8 continuous hours.

### How the PhotoViolationMeter™ (PVM) Works and increases revenues

The following illustrate how the PhotoViolationMeter™ (PVM) offers a substantial improvement over all other parking meters or systems in existence through its **Every Way to Pay™ (variety of payment options)**, **No Fine Feature™** and **Grace Period Feature™**.

1. A vehicle parks, the driver pays for one hour but leaves after twenty minutes. With the current meter system, the next vehicle to park in the stall would use this unused time. Now, because of the PVM's vehicle sensor, the meter resets to zero when the first vehicle leaves. The driver of the next vehicle must pay for his/her own parking.
2. A driver parks in a stall and remains in the vehicle without paying the meter. After pulling into the stall, they take a thirty-minute cell phone call, or their companion runs into the store while they wait in the car. With present meter systems, when, and if, they get out and pay for parking they are not charged for the entire duration of the stay. As the PVM system detects the arrival of the vehicle it begins to clock the parking time. Now when the driver does pay, they will have to pay for the total from the time they pulled into the stall. If they depart before paying, as they might do now when they see a meter person, they will automatically be ticketed in the mail for the violation.
3. Vehicle parks, the driver pays for one hour but stays for two hours. With the current meter system, there is a good chance that the driver would not get a parking violation due to the inability of enforcement officers to cover every meter all the time. Now, the vehicle's license plate is recorded with the PVM's digital camera and a photo violation is instantly transmitted to the central office for processing. From now on, drivers will be sure to pay, even overpay to prevent ticketing.

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

4. The driver pays for parking but his meeting goes late. With the PVM's **No-Fine Feature™**, for a small additional fee at the meter, drivers may opt for parking time to be automatically billed incrementally right on their credit card. The driver isn't worrying about a violation during the meeting and doesn't have to run out in the middle of the meeting just to put a handful of coins into the meter. Now the meter can automatically add time until they return, and simply drive away with no need to do anything to stop the charging.
5. A vehicle parks on a Main Street just before the lane is to be cleared for rush hour. The driver pays for one or more hours of parking not realizing that there are parking restrictions. Currently, there is a good chance that the driver would be towed. Now, the PVM will notify the driver upon payment that they are parking in a Rush hour or Restricted-parking zone and will not be able to pay for time that infringes on those restrictions. If the vehicle does over-park and has not moved by the rush hour or no parking time, the meter will immediately notify enforcement officials to tow the vehicle to open up the lane.
6. A vehicle parks and the driver pays but arrives a few minutes late to only to discover the meter is expired. Currently, there is a chance that the driver returns to the vehicle to discover a parking violation. Now, because of the PVMs **Grace Period Feature™**, the driver has the opportunity to pay for this extra time used at the meter and will not receive a violation for the small amount of time since the meter expired. If a driver returns after the grace period is over, the driver is given the option of paying a reduced violation immediately by credit card at the meter making violation collections more likely.

## BENEFITS TO DRIVERS & THE COMMUNITY

### User Friendly Features

#### VARIETY OF PAYMENT OPTIONS

Now, drivers have a variety of payment options available to them when paying at the meter, including 12 different Coin Types (including multiple currency deposit), Credit Card, Debit Card, and Smart Card. Rejected coins are returned!

#### NO-FINE FEATURE

The No-Fine Feature gives drivers the option to never worry about receiving a ticket again. Drivers pay a small additional fee at the meter with their credit card and park stress-free.

#### GRACE PERIOD FEATURE

The Grace Period feature gives drives the option to pay for expired time at the meter if they are late in returning to their vehicle, (usually within 15 minutes) without receiving a violation.

### Coin Return

Coins deposited into the PVM that are not accepted for payment are returned to the user, eliminating confusion and frustration of paying for parking without being credited.

### Remote Pay-by-Phone Technology

The Pay-by-Phone option gives drivers the ability to be contacted by phone when the meter is about to expire. This high-tech feature allows drivers to refill their meter remotely with the touch of a button. No third party charges are incurred by using this feature with the PVM solution.

## Camera Surveillance

The PVM is equipped with a digital camera that records drivers' license plate information upon parking. The system is capable of transmitting plate information to local law enforcement allowing for real-time surveillance.

## Regulation Notifications

### A) NO PARKING ZONE NOTIFICATIONS

No parking notifications remind and restrict payment from users when they are not permitted to park in the space for Rush Hour and No-Parking zone times. This feature helps prevent the hassle of coming back to your vehicle to find it has been towed away.

### B) MALFUNCTION NOTIFICATION

If the meter is Malfunctioning, the user is able to press a button to easily notify the operator that there is a problem or to ask for assistance.

### C) RATE CHANGE NOTIFICATIONS

The PVM lets drivers know if there have been any changes to rates, parking regulations, parking time zones and special event parking charges.

### D) TIME RESTRICTED PARKING ZONES

Increased violation occurrence for areas that have been designated time restricted areas will help local businesses increase traffic as drivers will no longer be able to park past the allotted time. Increased traffic leads to increased revenue for businesses in these restricted areas.

For additional information on the Company's products and services please visit <http://www.photoviolation.com>

## COMPETITION

There is no competition to the PVM at this time, that is a parking meter that incorporates a combination of sensors, photography and wireless technology. There is no other meter or ticket dispenser that can enforce parking or a unit that can then issue a violation automatically. There is no product or system in the marketplace that can increase revenues by 5 times or more as does the PhotoViolationMeter™ (PVM).

The PVM uses the latest technology to accept credit card, debit card, smart card, cash, recognizes when a car both parks and departs. The Meter can also take a photograph of the car's license plate when a violation occurs and then issues a violation. Benefits to this system include:

- When a car leaves the parking space, any unused balance of time is zeroed. This will increase meter revenues, as no other car is then able to park for free.
- A car overstaying it's paid for time will be automatically issued a violation with time stamped photographic evidence showing the car's license plate. This will increase meter violation revenues as the issuance of a violation notice is not subject to a meter person walking by.
- The meter can accept credit cards and also provide an option that allows the driver to select 'charge for actual time in place' so removing the need to guess how much time to purchase. This is the **No Fine Feature™**.

**POM Inc.** manufactures an electronic meter that can program rates, such as a fixed rate (same rate each day) or multi-rates (up to 6 different rate changes per day). The meter is able to handle Park Cards, which are prepaid parking cards on which the value of parking is pre-programmed. These machines do not have the ability to sense the presence or absence of a vehicle nor can they produce a violation ticket.

**Duncan Industries** makes the "Eagle" which is an electronic meter that can change rates for time of day and/or days of the week through the use of a hand-held computer, but not remotely. This electronic meter does not have the ability to sense the presence or absence of a vehicle. It also does not have the ability to issue an immediate ticket for violation of time.

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

**Mackay Meters** is a Canadian company that provides electronic versions of conventional meters, which like the Eagle can be programmed for different rates. These units do accept a wide variety of coins although some are capable of using pre-paid parking cards. They cannot accept credit cards or bankcards. As they have a smarter slot, the customer may assume, incorrectly that the unit is credit card compatible. The meter can be programmed for different rates using a handheld computer in the near proximity to the meter itself. The same people who are servicing and not situated in a central, secure data-processing location may perform auditing of the meter with the same handheld unit over a secure wireless connection.

**Pay & Display Systems** are being sold to municipalities as the replacement to the conventional parking meter. These large units, identical to the ones found in many parking garages, are usually located one to a block forcing drivers to trek to the machine to purchase a time validated parking permit and then return to display it on the dash. While these systems do provide for other payment methods, they are subject to high maintenance, as they require printer service. Drivers don't like them as it involves a trek to and from the machine – perhaps more than one – just to pay for short-term parking. Businesses don't like them as they are very unpopular with drivers and push more customers to the malls. Parking violation processing is also more difficult as a printed slip must be discovered inside the vehicle then deciphered by an official aggravated by enforcement on foot, which requires drastic upsizing in enforcement to maintain levels found with current meter systems.

## KEY PARTNERSHIPS

PVT has successfully forged relationships with several Fortune 500 Companies, such as Motorola, Honeywell and IBM. These key existing relationships are vital as it ensures the future success of PVT by not sourcing critical parts or services with fragile organizations. Moreover, these relationships allows Photo Violation Technology Corp. to tap into the worldwide service and distribution network to co-op development and distribution of new parking technologies.



### Partnership with IBM

IBM Global Business Services has been working with PVT for well over a year. IBM has reviewed the technical architecture of both Meterlink™ and the embedded meter systems and is designing enhancements to these elements of the PVT solution to ensure scalability, high availability and financial accountability.

IBM's Pacific Development Center has delivered robust e-business solutions for over 300 customers worldwide. Its expertise in program and product management, software engineering, user experience design and quality assurance will be mobilized to support all implementations of the PVT solutions.

To facilitate PVT's global potential, IBM will be mobilizing its team at the Pacific Development Center and begin the Solution Outline for the next generation of PVT's server applications and infrastructures. The back-end software developed will enhance the future of the patented PhotoViolationMeter™. IBM will provide custom integration software systems to cities that install the PhotoViolationMeter™. IBM will guarantee that the software designed for Photo Violation Technologies will be scalable globally and it will alleviate any growth issues for this new company and its patented innovations. In addition it will also help to rollout the product in cities and take care of the installation, set-up, and training that will eliminate the potential risks that start-up companies encounter with such large projects.

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

IBM will assist Photo Violation Technologies Corporation in developing server applications, technology support, systems integration, equipment installation, and financing whilst offering sales support through its Project Office.

IBM (NYSE: IBM) is very active in both the Transportation and Public Sector industries, and has direct relationships with municipal governments, regional transportation authorities and operators, and parking service companies. IBM offers a comprehensive portfolio of software offerings, including a number of offerings that are specifically designed to support remote, wireless e-business applications. IBM concurs that there are significant opportunities with Photo Violation Technologies (PVT).

In addition, IBM can offer the following services as part of a comprehensive offering for parking authorities:

- Prime contractor management of all installation, integration and operations.
- Installation and Field support of meters, handheld units and back-office systems.
- Business process and organization change consulting to optimize new parking management models.
- Integration of MeterLink with enterprise and external applications, and ongoing application management services.

By engaging the facilities offered by IBM Global Financing, this partnership enables PVT to present a range of financial options including:

- Direct Capital purchase (time and materials or fixed price) of equipment and services.
- Market lease of all solution components, implementation and support services.
- On-demand pricing, with guaranteed revenue to the parking authority.

This relationship between these two divisions **allows PVT to effectively leverage IBM's vast expertise, knowledge and resources to ensure PVT** can handle any customer request anywhere in the world.

#### **Partnership with Cisco**

PVT has teamed up with Cisco Systems (NASDAQ NM: CSCO) to allow municipalities an opportunity to achieve significant new revenues and communications streams with its constituents. The PVM provides an access point for a Cisco Systems connection that in turn provides a WiFi solution for an entire city. This WiFi solution, powered by Cisco, will provide multi-channel access, which can deliver secure citywide communication for the PVM solution, local authorities and for the use by the general public.

Together these technologies create compelling application possibilities for municipalities including revenue assurance from parking fees, as well as secure, robust communications links for municipal emergency services, distributed video surveillance platforms, and public wireless access enabling connected communities. Cities can use the WLAN Communications network for Emergency Services (Fire, Police and Ambulance) and City Workers. By providing VoIP phones and adding wireless connectivity via laptops and PDA's to the cities computer infrastructure the city will save vast amounts of funds which can then be allocated elsewhere. The PVM solution gets cities WIRED, ushering in the 21<sup>st</sup> Century technology and revitalizes the community.

#### **Partnership with Honeywell**

Honeywell is a diversified technology and manufacturing leader serving a worldwide customer base. Honeywell (NYSE: HON) offers products that meet the rigid and unique demands created by commercial and military air and surface vehicles. Photo Violation Technologies Corp. is partnering with their Aerospace Electronic System and Defense and Space Electronics System, a subsidiary of its Sensing and Control Division. This group is one of the world's pre-eminent switch and sensor manufacturers with an unrivalled mix of technically advanced sensing and switching solutions. These products and services are designed from the outset to be energy efficient, be environmentally friendly, and to provide unsurpassed reliability while minimizing costs. Sensing and Control offers solid solutions to satisfy the worlds switching and sensing needs. These products are used for military purposes and are now made available commercially through PVT, as it will be the supplier of parking sensors for PVT.

#### **Partnership with HandHeld Products (HHP)**

HHP is the leading provider of image-based data collections solutions for mobile, wireless and transaction processing applications to end users throughout the world. A leading innovator in the development of quality data-capture products and solutions, HHP launched the world's first commercially viable hand-held barcode wand scanner in 1972. HHP features the very latest in data and voice communications and can lead virtually every type of barcode label or tag and capture digital images and signatures – all in a perfectly balanced, ergonomic package. HHP will be Photo Violation Technologies Corporation's supplier of hand-held products to complement its PhotoViolationMeter™ units.

**Partnership with Money Controls**

Money Controls is the world leader in the design and manufacture of coin mechanisms, bill acceptors and their corresponding control systems. Money Controls has committed to provide PVT with secure, universal automated transaction solutions with worldwide after-sales support.

**Partnership with Motorola**

Motorola is a Fortune 100 global communications leader that provides seamless mobility products and solutions across broadband, embedded systems and wireless networks. Seamless mobility means product and service users can reach the people, things and information they need from anywhere at anytime. Seamless mobility harnesses the power of technology convergence and enables smarter, faster, cost-effective and flexible communication. Motorola will provide rugged wireless modems for installation in the PVM unit.

**Partnership with Videx**

Videx has been a technology innovator for nearly 30 years. Cyberlock is a leader in creating secure, convenient, fully programmable and completely audited security across systems. Videx has ensured that the Cyberlock System can be fully integrated into the PVM solution permitting remote programming and a full usage audit to be maintained of all locks and keys. Videx is committed to ensuring that PVT customers can be fully confident in the security of their PhotoViolationMeter™.

**Partnership with Samsung**

Samsung is one of the world largest electronic companies. It is supplying the cameras that are integrated into the PVM, which is the patented feature that makes the product feasible.

**Partnership with Panasonic**

Panasonic is one of the world's largest electronic companies. Panasonic stands for commitment to quality, value and innovation, bringing forth ideas for life. It will be the Company's supplier of quality batteries to be integrated into the PVM.

**Partnership with MagTek**

Magtek has set the pace in Card reading solutions since 1972. Combining magnetic stripe card and smart card technologies with unparalleled ease of use, Magtek card readers offer superior accuracy and read reliability. **MagTek's IntelliStripe** motorized card readers are the highest performing, small footprint motorized readers on the market. The new standard setting, low-cost design readers with both magnetic stripe and smart card capabilities offer unprecedented value for self-service transactions. Transport is fast and smooth with accurate and consistent card reading. MagTek will supply PVT with Credit Card and Smartcard readers to be integrated with PhotoViolationMeter™.

**Partnership with Printek**

Printek has over 20 years of experience in the printer industry, with a proven record of supporting large corporate businesses such as Avis, Staples, Ford, DHL, Chevron, Toyota and American Airlines and is now in partnership with PhotoViolation Technologies Corp. Printek provides a wide range of mobile printer solutions.

**Partnership with Glenview Systems**

Glenview Systems Inc. is a leading manufacturer of solutions for the money handling industry. For over twenty years, Glenview Systems Inc. has increased profitability, security and efficiency of many industries including: Gaming, Vending, Parking and Amusements. They provide quality products and systems, leading-edge technology, and responsive manufacturing. With their long-term experience and commitment, they have built and maintained numerous successful integrity-based long-term relationships with their customers.

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

## Partnership with Rogers

Rogers Communications (TSX: RCI; NYSE: RG) is a diversified Canadian communications and media company engaged in 4 primary lines of business. Rogers Wireless is Canada's largest wireless voice and data communications services provider and the country's only carrier operating on the world standard GSM/GPRS/EDGE technology platform; Rogers Cable is Canada's largest cable television provider offering cable television, high-speed Internet access, voice over cable telephony services and video retailing; Rogers Media is Canada's premier collection of category leading media assets with businesses in radio, television broadcasting, television shopping, publishing and sports entertainment; and Rogers Telecom is a national provider of telephony, data networking, and broadband Internet connectivity, to small, medium and large businesses across the country.

## PATENTS & PATENT RIGHTS

Two patents were issued approximately 5 years ago in Canada and the United States. The patents are based on a parking meter that consists of a camera (digital or normal), a vehicle sensor and a wireless communications device and covers the use of these devices to issue a parking violation.

Canadian and US applications have been filed to cover additional improvements to the issued patents to include new technologies. Modified patent protection will be sought for Europe.

## BUSINESS MODEL & FINANCIAL PROJECTIONS

The Company has developed two basic business models, both of which provide the Company with a very attractive revenue stream, income stream and return on invested capital.

**Model One (TABLE 1 – CUMULATIVE SALES REVENUE MODEL)** has three revenue streams based on the sale of PVM's to the city, or to a leasing company, which in turn leases the PVMs to the city:

1. One-Time revenues from the Sale of PhotoViolationMeters™.
2. Ongoing Royalty Revenues.
3. Ongoing Service Fee Revenues.

**Model Two (TABLE 2 – CUMULATIVE RENTAL INCOME MODEL)** also has three revenue streams, based on renting PVMs to the City:

1. Ongoing Rental Revenues.
2. Ongoing Royalty Revenues.
3. Ongoing Service Fee Revenues.

Each prospective city will have its own unique circumstances and requirements, and the Company expects to develop or design customized packages for each city. The two models are illustrated in the tables below and should be viewed in conjunction with the financial model assumptions that are listed below.

TABLE 1

		Year 1	Year 2	Year 3	Year 4	Year 5
		2008	2009	2010	2011	2012
<b>CUMULATIVE SALES REVENUE MODEL</b>						
Number of Meters Sold and Installed		1000	2000	3500	5000	10000
Cumulative Meters		1000	3000	6500	11500	21500
<b>\$US [in Thousands] \$'000</b>		<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
<b>Revenues</b>	<i>per meter</i>					
Meter Sales	5500	5500	11000	19250	27500	55000
Royalty Revenues	1267	1267	3801	8236	14571	27241
Service Revenues	348	348	1044	2262	4002	7482
<b>TOTAL</b>	<b>7115</b>	<b>7115</b>	<b>15845</b>	<b>29748</b>	<b>46073</b>	<b>89723</b>
<b>Cost of Goods Sold</b>						
Meter Sales	3000	3000	6000	10500	15000	30000
Royalty Revenues	317	317	951	2081	3646	6816
Service Revenues	140	140	420	910	1610	3010
<b>TOTAL</b>	<b>3457</b>	<b>3457</b>	<b>7371</b>	<b>13491</b>	<b>20256</b>	<b>39826</b>
<b>Gross Profit</b>						
Meter Sales	2500	2500	5000	8750	12500	25000
Royalty Revenues	950	950	2850	6175	10925	20425
Service Revenues	208	208	624	1352	2392	4472
<b>TOTAL</b>	<b>3658</b>	<b>3658</b>	<b>8474</b>	<b>16277</b>	<b>25817</b>	<b>49897</b>
S G & A	1000	1000	2377	4462	6911	13458
<b>INCOME BEFORE TAXES</b>	<b>2658</b>	<b>2658</b>	<b>6097</b>	<b>11815</b>	<b>18906</b>	<b>36439</b>
Income Taxes	1058	1058	2439	4726	7562	14575
<i>Effective Tax Rate</i>		39.80%	40.00%	40.00%	40.00%	40.00%
<b>NET INCOME</b>	<b>1600</b>	<b>1600</b>	<b>3658</b>	<b>7089</b>	<b>11344</b>	<b>21864</b>
<i>Net Operating Margin</i>	22.5%	22.5%	23.1%	23.8%	24.6%	24.4%

The SG&A expense was assumed to be 15% of revenues. This model assumes the meters shown are sold at the end of the prior year and booked at the beginning of the year shown and commence generating royalty and service fee income at the beginning of the year. The revenue and income stream in **Model 1** reflects:

- (i) The revenue from the sale of meters in each year;
- (ii) The cumulative stream of royalty revenues from the total installed base of meters; and
- (iii) The cumulative stream of service fee revenues from the total installed base of meters. The effective income tax rate is 40%.

In the second model depicted in TABLE 2, there are 3 revenue streams:

- (i) Rental income
- (ii) Royalty revenue excluding airtime, and
- (iii) Service fee revenue. Also this model assumes the meters shown are rented at the end of the prior year.

TABLE 2

		Year 1	Year 2	Year 3	Year 4	Year 5
		2008	2009	2010	2011	2012
<b>CUMULATIVE RENTAL INCOME MODEL</b>						
Number of Meters Sold and Installed		1000	2000	3500	5000	10000
Cumulative Meters		1000	3000	6500	11500	21500
<b>\$US [in Thousands] \$'000</b>		<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
<b>Revenues</b>	<i>per meter</i>					
Meter Rental Revenues	2400	2400	7200	15600	27500	51600
Royalty Revenues	787	787	2361	5116	9051	16921
Service Revenues	348	348	1044	2262	4002	7482
<b>TOTAL</b>	<b>3535</b>	<b>3535</b>	<b>10605</b>	<b>22978</b>	<b>40553</b>	<b>76003</b>
<b>Cost of Goods Sold</b>						
Meter Rental Revenues @ 40%	960	960	2880	6240	11040	20640
Royalty Revenues @ 25%	197	197	591	1281	2266	4236
Service Revenues @ 40%	140	140	420	910	1610	3010
<b>TOTAL</b>	<b>1297</b>	<b>1297</b>	<b>3891</b>	<b>8431</b>	<b>14916</b>	<b>27886</b>
<b>Gross Profit</b>						
Meter Rental Revenues @ 60%	2500	1440	4320	9360	16560	30960
Royalty Revenues @ 75%	950	590	1770	3835	6785	12685
Service Revenues @ 60%	208	208	624	1352	2392	4472
<b>TOTAL</b>	<b>3658</b>	<b>2238</b>	<b>6714</b>	<b>14547</b>	<b>25737</b>	<b>48117</b>
S G & A @ 15%	530	530	1591	3447	6098	11400
<b>INCOME BEFORE TAXES</b>	<b>1708</b>	<b>1708</b>	<b>5123</b>	<b>11100</b>	<b>19639</b>	<b>36717</b>
Income Taxes	683	683	2049	4440	7856	14687
<i>Effective Tax Rate</i>		39.99%	40.00%	40.00%	40.00%	40.00%
<b>NET INCOME</b>	<b>1025</b>	<b>1025</b>	<b>3074</b>	<b>6660</b>	<b>11783</b>	<b>22030</b>
<i>Net Operating Margin</i>	29.0%	29.0%	29.0%	29.0%	29.1%	29.0%

**Financial Model Assumptions**

1. The Price of the PhotoViolationMeter™ is \$5,500.00.
2. The Cost of Goods Sold (COGS) per installed meter is \$3000.

## 3. Royalty Revenues

**Picture Fee Revenue**

• Fee per photograph	\$1.00
• Photographs per month per meter per stall	15
• Number of Stalls per meter	2
• Number of Photos per meter	30
• Total photograph revenue per meter per month	\$30.00
• Total photograph revenue per meter per year	\$360.00

**Credit Card Authorization Revenue**

• Fee per authorization	\$0.04
• Authorizations per stall per month	70
• Number of Stalls per meter	2
• Total Authorizations per meter	140
• Credit Card Revenue per stall per month	\$2.80
• Credit Card Revenue per meter per month	\$5.60
• Credit Card Revenue per meter per year	\$67.20

**User Fee Revenue (No Fine Feature)**

• User fee per stall	\$1.00
• User fee per stall per month	15
• Number of Stalls per meter	2
• Number of User fees per meter per month	30
• User fees per meter per month	\$30
• User fees per year	\$360

**Air Time Revenue**

• Air time per month per stall	\$20
• Number of stalls per meter	2
• Total air time per month per meter	\$40
• Air time per year	\$480

<b>Summary of Royalty Fee Revenue per Meter (2 Stalls)</b>	<b>Per Month</b>	<b>Per Year</b>	<b>%</b>
• Picture Fee Revenue	\$30.00	\$360.00	28.4%
• Credit Card Revenue	\$ 5.60	\$ 67.20	5.3%
• User Fee Revenue	\$30.00	\$360.00	28.4%
• Air Time Revenue	\$40.00	\$480.00	37.9%
	<b>\$105.60</b>	<b>\$1267.20</b>	<b>100.0%</b>

Service Fee Revenues per Month	Per Stall	Per Meter
<ul style="list-style-type: none"> <li>• Parts &amp; Repair (on average)</li> <li>• Violation Processing</li> <li>• Collection by PVT</li> <li>•</li> </ul>	\$5.00 \$1.50 \$8/violation 1 violation	\$10.00 \$3.00 \$16/month 2 violations
<b>TOTAL (per month)</b>	<b>\$14.50</b>	<b>\$29.00</b>
<b>TOTAL (per year)</b>	<b>\$174.00</b>	<b>\$348.00</b>

Selling, General & Administration Expense (SG&A) is 15% of Revenues. Income Taxes are calculated as 40% of Income before Taxes.

### RISK FACTORS / CONCERNS

The business model, and longer-term consistency of revenue and income potential, remain uncertain and is not fully proven. Photo Violation Technologies Corp. (PVT) currently has no signed contracts that will produce revenue and it does not have an estimate as to when it will be entering into formal contracts. Furthermore, it cannot provide assurance that management will be successful in negotiating such contracts. PVT is **substantially dependent on the expertise of its management team and directors**, the loss of which could materially adversely affect future anticipated results. The company is still considered to be a **development stage company** and has not generated surplus revenues. The Company may not be able to generate sufficient funds to operate its business, which, could harm results and force the Company to curtail or cease plans for commercialization of its IP and for expansion. There can be **no assurance the company will be successful in its effort to secure additional financing, if needed** to support operations that will necessitate achievement of near and medium term goals.

In a development stage company, management devotes most of its activities to establishing a new business. Planned principal activities have not yet produced any revenues and the Company will continue to produce operating losses for the foreseeable future as is normal in development stage companies. The ability of the Company to emerge from the development stage with respect to its planned principal business activity is **dependent upon its successful efforts to raise additional equity financing, receive funding from affiliates and controlling shareholders, and develop a market for its products together with its partners.**

The Company has no assurance at this time that its commercially feasible PVM design will be perfected to make the inroads intended in its marketplace, or if it is, that it will become a profitable product. PVT's profitability and survival will depend upon its ability to develop a technically and commercially feasible product, which will be accepted by end users. There can be no assurance that PVT will be able to achieve and maintain end user acceptance of its PhotoViolationMeter™. If the Company is unable to achieve this condition or if it doesn't remain technologically competitive, it may be unprofitable and its investors could lose their entire investment.

PVT will be highly dependent on other partners to perform many functions and provide parts for its PVM solution, meters and systems and to provide the requisite expertise and quality control. There is no assurance that such persons or institutions will be available when needed. While not a highly competitive business in terms of numbers of competitors, the business of providing parking meters and parking management systems is nonetheless difficult because most of these companies are large, established, well financed companies, which are very concerned about maintaining their market position. There is no assurance that Photo Violation Technologies Corp. will be successful in meeting or overcoming its current or future competition.

Its business depends on the protection of intellectual property and may suffer if PVT is unable to adequately protect its intellectual property. The success of its business depends on its ability to patent its technology. Currently, it has been granted several U.S. Patents. The Company cannot provide assurance that its patents will not be invalidated, circumvented or challenged, that the rights granted under the patents will give it competitive advantages or that its patent applications will be granted.

Rapid technological changes could adversely affect its business. Rapidly changing technology, evolving industry standards and changing customer demands characterize the market for parking management solutions. Accordingly, if PVT is unable to adapt to rapidly changing technologies and to adapt its product to evolving industry standards, its business will be adversely affected.

The Company's success will depend, in part, upon the ability to attract and retain qualified employees. The Company believes that it will be able to attract competent employees, but no assurance can be given that it will be successful in this regard. If PVT were unable to engage and retain the necessary personnel, its business would be materially and adversely affected.

The Company's areas of business may be affected from time to time by such matters as changes in general economic conditions, changes in laws and regulations, taxes, tax laws, prices and costs, and other factors of a general nature which may have an adverse effect on the business of Photo Violation Technologies Corp. At present, no public market exists for the common stock ahead of the closing of the reverse merger transaction, but thereafter a limited public market may exist for these securities on the over-the-counter bulletin board maintained by the National Association of Securities Dealers (NASD) and there is no assurance that an active trading market will develop for PVT common stock, or, if developed, that it will be sustained.

Trading in the shares is expected to be subject to major fluctuations following establishment of a public market. The **stock may be thinly traded also at prices above \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity**. The reverse is true if one or more large investors decide to acquire a block of PVT shares that would result in demand outstripping supply and result in an upward squeeze in the price given the scant liquidity and daily trading volume.

Major dilution of common stock can occur if the Company issues large blocks of common stock or convertible securities are converted/warrants exercised into common stock, that can negatively impact on the value of the shares either theoretically, or if sold outright in the open market.

NASD and SEC Regulations covering rules on Penny Stocks will apply to shares of PVT, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above-mentioned and other risk factors are will be contained in future prospectus or proxy statement detailing the proposed deal between Photo Violation Technologies Corp and NATCO (NCII).

## MANAGEMENT TEAM

PVT's principals have over 17 years of experience in the development, manufacture and operation of equipment for and in the parking industry. The management team benefits from strong marketing and operational functions. Management is also in discussions to bring on board additional expertise to strengthen the team. Since January 2003, Fred Mitschele has undertaken the design, development and testing of its patented PVM in Thailand. This has allowed PVT to achieve significant cost savings in its initial development expenditure for the Company. Each member of the Company's management team has previous entrepreneurial experience through setting up and/or managing their own businesses. Each senior manager of PVT Corp will be encouraged to join industry associations at a senior level to raise PVT's profile and to influence policy making as well as industry trends and standards.

### **Fred Mitschele – President & CEO**

Fred Mitschele's background in the parking industry spans over 20 years with experience in both parking management and parking equipment design. Prior to creating the PhotoViolationMeter™ Solution, he spent five years as a Senior Manager for Diamond Parking Ltd, during which time he was Regional Vice-President for Canada, his last position held there. He then founded Digital Pioneer Technologies Corporation and was responsible for the concept and design of its Intella Series machine and laying the foundation for the company as it is today. In addition to Digital Pioneer Technologies, Mitschele designed the first Pay- and-Display parking machines for U-Park Enterprises Ltd. He most recently designed the patented PhotoViolationMeter™ Solution for Photo Violation Technologies Corp. Mitschele is highly experienced in both the design and management side of the parking industry.

### **Malisa Phoiliang – Director of Asia-Pacific**

Malisa has a Bachelor of Arts, with a major in Business English and has completed a Certificate in Accounting. Malisa started as an Executive Assistant for a five star hotel chain in Bangkok Thailand. Then she went to Easy Internet Limited where she managed a chain of Internet retail stores. Currently, she is the Director of the Asia Pacific Region, where she supervises the operation, development and manufacturing of the facilities in Thailand.

**Amir Ahmadi – Manager of Hardware Engineering**

Amir Ahmadi holds a Bachelor's degree in Electrical Engineering – Electronics. He has nine years of engineering experience in design and installation of data communications, telecommunications and industrial control systems. Prior to joining Photo Violation Technologies Corp., he worked for Canadent Systems on a contract basis. Prior to that, he spent four years with Aircor International and Siemens as senior RF and core network design engineer for GSM networks. He started his career with VAF Corporation developing wired and wireless data communications products for 5 years.

**Jayson Lee – Corporate Communications Manager**

Jayson enters Photo Violation Technologies Corp. with 8 years of experience in consumer and public relations. He has also had managerial positions with the two biggest cruise lines in western Canada at Gateway and World Wide Shore Services while under operations for Royal Caribbean Cruise Line, Celebrity Cruises, and Carnival Cruise Lines. Jayson comes from a creative writing background along with areas of marketing. He joins the company coming from the University of British Columbia.

**INVESTMENT THESIS AND RECOMMENDATION**

PhotoViolation Technologies Corp. is a parking meter company that holds the exclusive, worldwide license for the PhotoViolationMeter™ (PVM) and the PVM System. PVT's proprietary, integrated parking management PVM system utilizes the patented PVM coupled to MeterLink™ through which the Company offers state-of-the-art parking solution for cities, towns and municipalities. This revolutionary new parking system has patented technology that enforces parking bylaws whether they are time expired violations, extended stay violations, or non payment violations – automatically, as the event occurs in real-time.

The system is completely self-enforcing removing the need for municipalities to hire numerous By-Enforcement Officers to do nothing more than check parking meters that is a haphazard strategy and rendered outdated with this latest technology. This revolutionary new parking management and fare collection system is finding appeal with Civic Treasurers. Parking space rental and parking violations are one of the most valuable commodities to municipal centers today is parking space. The effective and profitable management of this declining space is done today using technologies mostly developed in the middle of last century. The parking meter, as an example still performs its function just as it did when it was first introduced in 1935. Officials must chalk tires to ensure that parking limits can be enforced and even though the meter person carries a computer now instead of a ticket pad, tickets are still issued and processed the same as always. The driver parks, puts in adequate payment and hopes to return before the time expires. Very few of even the most modern meters accept any form of payment other than by coin. This was practical when parking was a nickel and hour, but with today's rates hitting well over \$10 an hour in some areas, this becomes very cumbersome. All this is about to change with PVT's PhotoViolationMeter™ (PVM) and PVM System.

Through already completed field tests, the capital cost of the double-head PVM has been shown to have a recovery period of less than one year compared to 2 years for a standard meter. Additionally, there was a huge increase in monthly net revenues per meter averaging 350%. PVT offers state-of-the-art parking solutions for cities, towns and municipalities guaranteeing at least three-fold increase in net parking revenue. This technology has a double benefit as it will lead to higher parking revenues and labor cost savings which is a win-win proposition to its targeted audience that we believe will lead to high rates of market penetration and commercialization. Vehicle operators will find the PVM very friendly and convenient to use, some of the built in features alone will create public demand for adoption. There has been a very unpopular small-scale adoption of non-enforcing payment systems that require the driver to find a machine and return to the vehicle with a parking permit just for the privilege of paying by credit card for 15 minutes of on-street parking. The PVM is more accessible and offers several forms of payment, informs the operator of parking restrictions by disallowing payment for said times and can even add parking time automatically so that the driver never risks a violation.

The objective of PVT is to dominate a drastically fragmented \$26 billion annual revenue market which uses incredibly obsolete technologies. By using the PVM system as the cornerstone, PVT intends to create an entire income and management structure for global parking space. While most of North America and Europe are the initial customers, each municipality currently averaging 6200 meters, the growing East and South Asian economies will create huge demands for controlled parking spaces as automobile usage explodes in those regions.

Both operating and financial risk involved in investing in a young/start-up parking meter technology company are typically high and should be considered by investors. In this case the financial and commercial risks associated with most of the early and mid-stage technology companies include, risks associated with the commercialization and the uncertainty surrounding the timing and extent of contract wins and also expansion of the Company and rollout of its products and services that requires a huge amount of investment.

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

It is still questionable at this point in time, if the company can successfully raise the funds for the necessary expansion. But once the company becomes profitable, it can utilize many financial vehicles to raise the money. There is also no assurance that PVT will achieve the rate of adoption with cities, towns and municipalities with its offerings that are currently in testing /trial phase. All of PVT's products are new in the market; hence the market penetration may be low.

Readers should understand that there can be no assurance that the company will be able to fast-track its path towards making inroads into the target market for its products, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value. The speed of adoption of its revolutionary PVM technology is one of the biggest unknowns and does and will play a material role in the financial performance of PVT in the short, medium and long term. Having said that, PVT has seen a high level of interest from several potential customers to incorporate this unique technology to improve the parking collection and management in its area.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to PVT should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind this promising patented technology that can be utilized in a multitude of areas, be unlocked and reflected in the stock price. Medium term we expect PVT's stock to trade well above its price of \$2.25 based on where NCII is currently priced in the public market. We acknowledge that our 12-month price target of \$7.50 appears optimistic at first glance, but we believe it will be attainable and will be propelled higher if our assumption is correct that FY2008 will produce the pro-forma revenues as the technology is implemented and adopted by more cities as a result of advance stage trial projects meeting or exceeding expectations. Our Revenue forecasts for PVT is shown in the table on the following page where we assume the company can surpass the \$90 million annual revenue mark in FY2012.

One of the core reasons which is pivotal to our bullish argument for upside in PVT stock, follows from our interpretation of the data and analysis of what we perceive to be an unparalleled opportunity to capitalize on a major market opportunity from a competitive advantage viewpoint. There is no competition to the PVM at this time, that is a parking meter that incorporates a combination of sensors, photography and wireless technology. There is no other meter or ticket dispenser that can enforce parking or a unit that can then issue a violation automatically. There is no product or system in the marketplace that can increase revenues by 5 times or more without any corresponding increase in fares, as does the PhotoViolationMeter™.

PVT is pursuing large contracts for its products/services in the North America, Europe and Asia. Photo Violation Technologies Corp. is now ready to capitalize on nearly 17 years of exceptional R&D efforts as it transitions from R&D and trial projects to commercialization. It is currently introducing the PVM technology to customers in trail projects that are yielding exceptional results that carries potential for large city contract wins.

We have made certain assumptions regarding the market penetration of the PVM technology as outlined in our section on Financial Projections and have arrived at revenue and net income forecasts for the upcoming 5 financial years starting FY2008 through FY2011 for the Company. These numbers together with net operating margins (%) and earnings per share (EPS) estimates are provided on the table found on the following page (SEE TABLE BELOW). For our calculations we have used a fully diluted share count of 40 million shares.

	EPS Forecast	Revenue Estimate (\$million)	Net Income Estimate (\$million)	Net Oper Margin %	Forward PE multiple	EPS Growth	Forward Price	Discount Rate (k)	Present Value
FY 2008	0.040	7.115	1.600	22.5%	18.0	NA	0.72	12.1%	0.642
FY 2009	0.091	15.845	3.658	23.1%	18.0	129%	1.65	12.1%	1.310
FY 2010	0.177	29.748	7.089	23.8%	18.0	94%	3.19	12.1%	2.265
FY 2011	0.284	46.073	11.344	24.6%	18.0	60%	5.10	12.1%	3.233
<b>TOTAL</b>									<b>7.4494</b>
<b>Assumptions</b>		<b>Beta</b>	<b>1.40</b>	<b>R<sub>m</sub></b>	<b>10.0%</b>				
<b>k=R<sub>f</sub>+(R<sub>m</sub>-R<sub>f</sub>)*Beta</b>		<b>R<sub>f</sub></b>	<b>4.75%</b>	<b>k</b>	<b>12.1%</b>				

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

Using these numbers in conjunction with a forward PE methodology, where we have applied individual PE multiples for each of the respective years shown below, and thereafter discounting at the required rate of return (k) which is a function of the risk-free rate and market rate of return, together with the stock's beta measure, to obtain present values for the stock price, and ultimately arrive at a valuation framework for PhotoViolation Technologies Corp. (NCII) that points to a per share value of \$7.44. At this juncture we are somewhat uncertain about what PE multiple the market will assign to the company when it enters its period of profitability that is forecast to be relatively high (in the region of 23% net operating margin). To this end we have decided to use an 18x forward PE that is at slight premium to the overall market average as a result of above market average growth expectations.

Given these calculations and our bottom up analysis, which is also qualitative in nature, we set a 12-month target price for the security of \$7.50. On March 19, 2007, Photo Violation Technologies Corp. signed a binding Letter of Agreement with NATCO (OTCBB: NCII), which will be completed upon completion of its 3-year audit. Following shareholder approval of both of these Companies, PVT will complete a reverse merger transaction with NCII that will allow Photo Violation Technologies Corp. to become a publicly traded entity, listed on the OTC Bulletin Board, under a new ticker symbol to better reflect the new name.

NACTO has 15.05 million shares outstanding at \$1.65 per share resulting in a market capitalization on \$24.8 million. Our 12-month target price is set at \$7.50 which implies a market capitalization of approximately \$112.8 million under this assumption, representing a price to sales multiple of 3.3x our 5 year out revenue projection of \$89.7 million in FY2012. All factors weighed, we anticipate a stake in the newly listed entity has compelling upside potential in the coming 12-24 months in light of the fact that the implied value assigned to the Company is conservative given the probability of a successful near term launch and commercialization of its technology and the anticipated market dominance that PVM can establish. We believe an appreciation from the present price level of NCII is further supported by an independent third party valuation of the Company's current patents, which is almost 4 times higher than the current market capitalization of NATCO. Based on data provided by PVT, Sean Lanigan B.Eng. (Civil), MBA, LL.B of Wishing Tree Inc. has established a fair market value for the PVT patent of \$133 million. This value of the US Patent excludes additional patents already issued and are still pending.

We HIGHLIGHT to the reader that our bullish view and forecasts for PVT is made under the assumption that the company is able to commence revenue generation in FY2008 through contract wins for its parking solution and that actual results will be in line with those as outlined in our financial projections section. Our forecast is made under the assumption that the company can attain or better those net operating margins and absolute revenue and net income figures under the two Models and EPS targets as specified for each of the years cited above.

We regard the present market capitalization as modest in light of the vast potential of the PhotoViolationMeter™ parking technology and the size and scope of the market that can benefit from this intellectual property. Under these assumptions we initiate coverage on PhotoViolation Technologies Corp. with a SPECULATIVE STRONG BUY rating. We see a lot of room for growth off a low base. In our opinion there is no reason why it shouldn't continue to observe an increase in the stock price to reflect financial progress once sales traction is evident in coming quarters, especially now that PVT is approaching the commercialization stage. So this is a very exciting time in the history of this company and its shareholders.

*Risk to our recommendation include amongst other: failure of testing of prototypes to transit into commercial projects and marketing and licensing agreements to come on-stream as projected with one or more large players, unforeseen difficulties or delays in the near or medium term from testing phases and negotiations with partners, slow market penetration after commercial launch that will lead to lower than expected revenues and profits and a contraction in forward PE multiple assumptions and dampen the valuation, a steep rise in production costs or unanticipated problems to maintain favorable terms negotiated with partners under such or other conditions, new fees/costs and/or any adverse regulatory changes in the markets it conducts operations. New competition in its market by other larger better capitalized rivals, accounting changes that has an adverse impact on the market's perception of shareholder value, any inability to obtain necessary financing from capital markets when needed, to continue its business projects and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt, paid for services or if warrants are exercised that dilutes common shareholder interest, are some additional factors that will counteract price appreciation potential or cause shares to decline in value. Our target price also assumes that the pending PVT/NATCO share exchange under the reverse merger is closed at terms specified above.*

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

Our rating system, for stocks we rate, is divided into four main classifications: **Buy**, Positive, **Neutral**, and **Sell/Avoid**. Our Buy rating is divided into sub classifications by our analysts to reflect the degree to which the analyst believes the shares are undervalued in relation to the market and its peers, and the degree of financial risk represented by an investment in the shares. These Buy sub classifications include: **SPECULATIVE BUY** and **SPECULATIVE STRONG BUY**. The analyst will comment in the company reports on any of the perceived risk factors underlying the assigned rating.

Classification	Sub Classification	Description
<b>BUY RATINGS</b>	<b>Speculative Strong Buy</b>	<i>The current price of the company reflects a substantial discount from the market and from the valuation accorded its peers. The analyst believes the stock at current levels represents a compelling opportunity for capital gains over the time period to its target price. Speculative means the company does have significant financial or other risks, while the <b>Strong Buy</b> category means <b>at least 100% gain indicated over 12 months</b> between current and analyst target price. <b>Speculative Buy</b> means <b>at least a 50% appreciation</b> indicated over 12 months between current and analysts' target price.</i>
	<b>Speculative Buy</b>	
<b>POSITIVE</b>	<b>Speculative Positive</b>	<i>The current price reflects a discount from the market, and from its peers. The analyst believes the stock at current levels will provide an opportunity for capital gains over the period of its target price. Speculative means the company does have significant financial or other risks. <b>Speculative Positive</b> means <b>0% up to 50% appreciation indicated over 12 months</b> between current and analysts' target price.</i>
<b>NEUTRAL</b>	<b>Neutral Rating</b>	<i>The analyst is <b>unable to assign a speculative buy/positive rating</b> due to a number of specified factors noted in the report. These include the stock being fairly valued relative to its peers and the market, or the company may have risks that make it potentially unsuitable for investment. Finally, there may be actions or financings the company must accomplish before being considered for raising the investment rating or <b>alternatively the stock has little or no recent financial disclosure or delinquent in SEC filings.</b></i>
<b>SELL/AVOID</b>	<b>Avoid</b>	<i>The analyst believes that the risks of investment in the company are too severe, and an investment in the company has a substantial probability for loss of all invested capital.</i>
	<b>Sell</b>	<i>We believe that the Company may be fairly valued or overvalued based on its current price, and that an investment in the company should produce below market returns.</i>

The table below contains a summary of ratings awarded by **Bridge IR Group Inc.** to covered companies in its universe during the past 18 months:

<b>RATINGS Universe Distribution</b>		<b>SPECULATIVE NEUTRAL</b>	<b>SPECULATIVE POSITIVE</b>	<b>SPECULATIVE BUY</b>	<b>SPECULATIVE STRONG BUY</b>
<b>Percentage:</b>	<b>100%</b>	<b>13%</b>	<b>37%</b>	<b>28%</b>	<b>22%</b>
<b>TOTAL COMPANIES</b>	<b>68</b>	<b>9</b>	<b>25</b>	<b>19</b>	<b>15</b>



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

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**ANALYST CERTIFICATIONS****APPENDIX A-1**

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The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. BRIDGE IR Group Inc. received \$7,000 in compensation for work on the subject company from a third party.

The firm of the analyst does not actively seek to do investment banking business with the company covered in this research report. This independent analysis and judgment relies on material supplied by the subject company and other sources, such as SEC filings believed to be reliable. The analyst that prepared this report cannot guarantee the information contained herein for accuracy or completeness. Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the companys rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

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