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Remote Dynamics, Inc. (NASDAQ-REDI)

An Emerging Provider of Mobile Resource Management Solutions

Recent Price: \$0.29

Market Data

Market Capitalization (mln)	\$2.35 mln
Enterprise Value (mln)	\$4.72 mln
Fully Diluted Shares (mln)	8.39 mln
Float (mln)	N/A
Ave. Volume (90 day, approx.)	47,111
Institutional Ownership	7.7%
Insider Ownership	5.5%
Exchange	NASDAQ SC

Company Overview

Remote Dynamics, Inc. participates in the telematics automatic vehicle location (AVL) and mobile resource management (MRM) markets. The Company's core offering is the REDiView™ family of solutions, an Internet and service bureau-based software application that provides accurate mapping, trip replay, and vehicle activity reports. Its solutions are used for metro and short-haul fleets within diverse industry vertical markets, such as field services, distribution, courier, limousine, electrical/plumbing, waste management, and government. Remote Dynamics was founded in 1994 and is headquartered in Richardson, Texas.

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Summary and Market Opportunity

- An Emerging Participant in Large & Fast Growing Markets**

Remote Dynamics (REDI) is an emerging contender in telematics with a specific focus on automatic vehicle location (AVL) and mobile resource management (MRM) solutions. The Company's core technology integrates wireless communications, vehicle tracking systems, and GPS location devices into a Web based MRM application. As demonstrated by GPS-based products like GM's OnStar, the demand for services by drivers and fleet operators is very large and growing rapidly. Automotive GPS shipments are expected by many industry observers to increase at a CAGR of 40%+ for the next several years.

- A Play on the Fast Growing Telematics Space**

We believe that very large revenue opportunities are evolving in the Telematics market. Telematics describes the aggregation of content and functionality available from various service providers and vendors into an integrated solution. The term has evolved to refer to vehicle systems that combine global positioning satellite (GPS) tracking and other wireless communications to provide innovative fleet and equipment management solutions including AVL, automated roadside assistance and remote diagnostics.

- Next Generation Platform Anchors New Channel Driven Strategy**

Following reorganization REDI has re-emerged with its own internally developed leading edge AVL technology designed for distribution by a partner channel. The Company's REDiView™ family of solutions combines wireless communications, GPS location technology, geospatial solutions and vehicle data integration with a user-friendly web-accessible application for optimization of remote business solutions. The Company is pursuing a channel distribution strategy that is expected to lower cost and increase margins going forward.

- Large Available Market In Underserved Fleet Segments**

REDI is targeting metro, short-haul fleets within diverse industry vertical markets such as field services, distribution, courier, limousine, electrical/plumbing, waste management, and government where large vehicle populations exist with no dominant competitor yet established.



Company Overview

Business Description

Remote Dynamics (REDI) is the sole developer and owner of the REDiView family of mobile resource management solutions. REDI is a Delaware corporation formerly known as Minorplanet Systems USA, Inc., with a core competency in development and implementation of mobile communications solutions for service vehicle fleets, long-haul truck fleets, and other mobile-asset fleets, including integrated voice, data and position location services. In 2001 REDI acquired the rights to the Vehicle Management Information™ (VMI) product licensed from Minorplanet System, PLC and entered the automatic vehicle location market in the United States. Following reorganization, the Company developed and commercially introduced the REDiView™ family of solutions that combines wireless communications, GPS location technology, geospatial solutions and vehicle data integration with a user-friendly web-accessible application for optimization of remote business solutions. The Company is focusing on growing REDiView™ revenues through a channel partner program designed to build a recurring revenue business model.

Mobile Resource Management

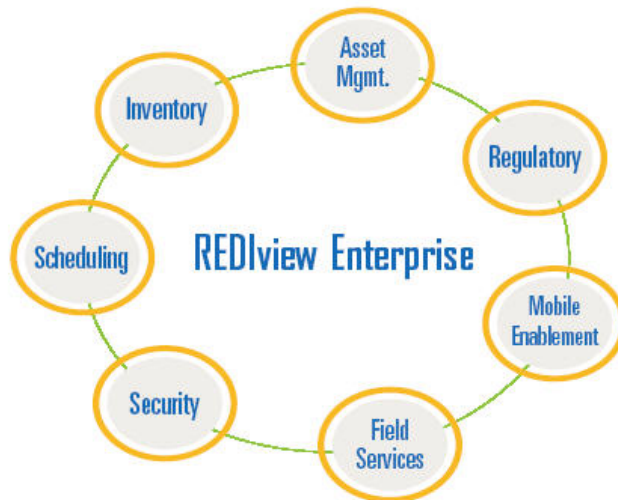
Incorporating innovative wireless and network technologies, REDiView™ is an easy-to-use telematics system that enables business vehicle fleets for mobile resource management. The Remote Dynamics mobile data logging unit, the REDI2000, transmits minute-by-minute vehicle information via GPRS networks to the company’s network operations center, where the information is managed, stored and accessed securely through any Internet browser. Combined with GPS tracking, REDiView gives fleet operators real-time tracking of mobile assets and exception-based reporting that identifies areas of cost and service performance improvement. The REDiView solution delivers an immediate return on investment through increased revenues and reduced operating costs for customers with fleets of any size. REDiView transmits data from the onboard unit and any auxiliary sensors over the Cingular Wireless network, using the General Packet Radio Service, a wireless standard for transmitting data. Remote Dynamics makes this information available to any authorized user at a subscribing company via a web browser.

REDiView Fleet

If a business needs the ability to, REDiView Fleet offers the ability to gather, transmit and interpret vehicle information. REDiView Fleet’s tracking capabilities compare very favorably with competitive telematics industry solutions. Typically used for fleets of twenty to several hundred vehicles, this solution’s secure, Internet-enabled platform allows users to access real-time fleet tracking data from anywhere, at any time. The tracking unit is installed in each customer vehicle to reduce the risks of misuse, inefficiency and tampering.

REDiView Enterprise

This platform integrates fleet management with other back office systems to achieve greater overall productivity. Designed for larger fleets, up to thousands of vehicles, REDiView Enterprise provides the same features and benefits found in REDiView Fleet, adding on integrated management capabilities. REDiView Enterprise combines the ability to gather, transmit, and interpret vehicle and payload information, with integration to other back office systems, such as inventory, scheduling, and asset management applications, to help optimize larger fleet operations.



The REDipartner program enables REDiView Enterprise to address the entire supply chain

REDItote

Typically, Remote Dynamics hard-wires the REDI 2000 units to a vehicle's ignition system and battery, and installs an external antenna. This is not a workable option for employees who are reimbursed for business use of personal vehicles. REDItote is a portable device that plugs into a vehicle's cigarette lighter. The user will then fix the antenna to a window and turn on the device after the vehicle is started to run the tracking system.

Industry Background

Telematics is a term becoming commonly used for the capability to efficiently access, control, manage and monitor different types of equipment or services. The Telematics business is an emerging industry poised for potentially rapid growth over the next 3-5 years. According to *whatis.com* "Telematics is the blending of computers and wireless telecommunications technologies, ostensibly with the goal of efficiently conveying information over vast networks to improve a host of business functions or government-related public services." Available and planned applications by the Telematics industry include location-based and navigation services, info-tainment services, automatic emergency callout in the event of an accident, security and anti-theft systems, remote diagnostics and repair, logistics and fleet management, and office applications. Telematics products permit the wireless delivery or exchange of voice transmissions, data, and other content between a vehicle and its occupant, and external sources or recipients. The telematics industry aggregates the content and functionality available from various service providers and vendors including consumer electronics, cellular and security products into an integrated service offering. In North America REDI offers minute-by-minute data monitoring combined with REDiView Fleet's Locate Now feature to provide instant location information on any or all vehicles in the fleet. This can provide significant value to customers by decreasing their costs and increasing the efficiency of their operations. In addition to location, control, and monitoring of assets in the field, mobile resource management functions can include dispatching, messaging, event confirmation or notification, project management and remote worker timekeeping.

Sales & Marketing

REDI has several strategic alliances that are potentially important for success. Remote Dynamics' REDiPartner™ program is designed to align the REDiView solution with resellers, system integrators and complementary solution providers to bring industry-leading solutions and services to market. Through these strategic relationships, Remote Dynamics and its partners can offer workflow integration, automation and optimization to large business enterprises by leveraging state-of-the-art technologies that integrate in-field workforces with back-end office and management operations. In November of 2005 the Company announced the signing of the 30th member to its REDiPartner™ Program.

T-Mobile. REDI resells T-Mobile GSM data services to customers. This reseller agreement had an initial term of one year which continues on a month-to-month basis following the expiration of the initial term unless terminated by either party on written notice. The initial term of the reseller agreement has expired and the reseller agreement is currently on a month-to-month basis.

Cingular Wireless LLC. The Company provides GSM/GPRS data services to its REDiView customers under a data reseller agreement with AT&T Wireless, now known as Cingular Wireless effective November 1, 2004, and a messaging agreement effective September 27, 2004. The data reseller agreement and messaging agreement have an initial term of two years and automatically renews for successive one year terms unless either party provides the other party with written notice of termination at least 30 days prior to the end of the initial term or any renewal term. However, the data reseller agreement and the messaging agreement may be terminated by Cingular or the Company for convenience upon 90 days prior written notice.

Competition

REDI participates in highly competitive markets that are fragmented with many small competitors. There are a few large, well-funded competitors for the Company's primary product offerings. Companies offering Automated Vehicle Location systems include:

Trimble Navigation – Trimble sells advanced GPS components and augments GPS with other positioning technologies as well as wireless communications and software to create comprehensive solutions. Trimble focuses on emerging applications including surveying, automobile navigation, machine guidance, asset tracking, wireless platforms, and telecommunications infrastructure.

@Road – @Road offers an Internet-based solution using the CDPD or GPRS networks of Nextel, Cingular Wireless, Verizon, and other carriers. @Road's mobile resource management system enables vehicle location, wireless voice and text communications, and remote transaction processing with signature capture using a PDA.

Teletrac – Teletrac currently sells an Internet-based solution and offers service on GPRS, CDPD, and Cellemetry wireless networks as well as Teletrac's own proprietary TDOA network.

WebTech Wireless – is a Canadian Telematics provider that offers turnkey wireless solutions designed to improve productivity and profitability. WebTech products include wireless hardware and software services running on cellular and satellite networks with functionality including automatic vehicle location, in-vehicle telemetry/navigation, maintenance, driver status, messaging, mapping, reporting, wireless application and Internet connectivity.

Senior Management

Dennis Casey - Chief Executive Officer, Director

Mr. Casey has more than 45 years of technology and senior management experience applicable to his current roles as CEO and Director of Remote Dynamics. Mr. Casey is also the founder and CEO of BaseCom Construction Inc., a private communications company providing cable television, broadband Internet access and telecommunications management to U.S. Army lodging facilities. Mr. Casey has also served as CEO and Chairman of Telesphere International, formerly the nation's fifth largest long distance company. Prior to Telesphere, Mr. Casey served 24 years with the GTE Corporation holding various titles such as Staff Engineer (1957) and ultimately serving as Vice President of Marketing for GTE Corporate Telephone Operations and GTE Automatic Electric (1976 to 1979). Mr. Casey earned his Bachelor of Science degree in Finance from New York University.

J. Raymond Bilbao - President, COO

Mr. Bilbao brings more than ten years of executive management experience to his current roles as President and Chief Operating Officer for Remote Dynamics, where he is responsible for all operating, executive, legal and human resources matters. Prior to joining Remote Dynamics, Mr. Bilbao was a Senior Associate Attorney at Neligan & Averch, LLP, a Dallas-based law firm, where he represented technology clients in corporate and litigation matters. Mr. Bilbao has also served as Vice President and General Counsel for Value-Added Communications, Inc., a Dallas-based telecommunications company. Mr. Bilbao has previously held associate attorney positions with the law firms of Haney & Tickner, P.C. and Renfro, Mack & Hudman, P.C. Mr. Bilbao earned his Juris Doctor degree from St. Mary's University in San Antonio, Texas, where he served as a writer for the St. Mary's Law Journal, and is licensed to practice law in Texas as well as admitted to practice before the United States District Court for the Northern District of Texas.

Scott Broudy - Vice President, Sales & Marketing

Mr. Broudy brings more than twenty years of industry experience to his current role as Vice President of Sales and Marketing for Remote Dynamics. Mr. Broudy is responsible for directing the strategic partner program to support the global release of REDiView™, the company's suite of mobile resource management solutions, as well as executing strategy to align Remote Dynamics with partners that bring industry leading solutions to market. Mr. Broudy has held various titles from Account Executive to Director of Sales for companies including IBM, Dixel Software Systems, Informix, Sybase, Tivoli Systems and MetaSolv Software. He has been awarded the President's award multiple times and has been the sales employee of the year. Mr. Brody has spoken at numerous tradeshows and industry events on the topics of "Business Value Proposition" and the "Fundamentals of Selling." Mr. Broudy is an active member of various professional and community organizations including the AFCEA (Armed Forces Communications & Electronics Association); MD Anderson Cancer Center – Advance Team; and the Boys and Girls Club of Collin County, Texas. Mr. Broudy earned his Bachelor of Science in Business from Penn State University, as well as his Bachelor and Master of Business from American University.

Neil Read - Vice President, CFO and Treasurer

Mr. Read originally joined Remote Dynamics as Tax Manager from November 1998 through December 1999 and was promoted to Director of Revenue Assurance and Treasury from January 2000 through December 2004. Mr. Read transitioned into the role of Chief Accounting Officer from January 2005 through December 2005 managing all accounting and related financial operations including SEC compliance as well as all billing and collection activities. Mr. Read was promoted to his current position of Vice President, Chief Financial Officer and Treasurer in December 2005. Prior to joining Remote Dynamics, Mr. Read was employed by AT&T Wireless and McCaw Cellular where he served in various financial and accounting roles. Mr. Read earned a Bachelor of Business Administration in Accounting from Texas Tech University and is a Certified Public Accountant.

Financial Description

In 2004 the Company commenced a Voluntary Bankruptcy Filing and Reorganization. On August 25, 2005, the Bankruptcy Court signed the Final Decree closing the Company's case. This unfortunate sequence of events appears to be related to poor management by officials of the prior controlling entity which was removed from the picture by bankruptcy. Although current management has made progress in positioning the Company for future growth including developing a new product platform internally, cutting the cost structure and transitioning to a channel distribution model there are near term challenges which must be considered by investors. Since emerging from bankruptcy the Company has not reached profitability and faces some significant near term challenges including the following:

- The most recent audit opinion contains a qualification regarding the Company's ability to continue as a going concern.
- The Company is transitioning from a legacy product sold to the long-haul trucking industry with a large exposure to member companies of SBC Communications, Inc. ("SBC"). SBC had historically generated up to 75% of total revenue. Revenues from these legacy customers have ceased as of December 31, 2005, and the Company is transitioning to sales of the new REDiView™ platform. The Company's new REDiView product line forms the basis of management's business plan for calendar year 2006 and beyond and will be the foundation for expected growth in revenues and ultimately profitability for the Company. In addition, the REDiView product line allows the Company to move to a recurring revenue model for all of its current product offerings, an important and necessary change to the Company's revenue model to achieve overall sustained revenue growth and cash flow positive operations.
- In order for the Company to achieve positive cash flow from operations management has indicated that the Company must raise a minimum of \$2.5 million in additional capital to fund ongoing operations through August 31, 2006. Continued execution on cost control programs already under way and success increasing sales of the REDiView™ product line to reduce cash burn until such time that revenues from the new product line are sufficient to fund ongoing operations will be key metrics by which to measure financial progress.
- Of lesser concern but still worthy of consideration, the stock may be delisted from Nasdaq if management is unable to rectify certain deficiencies from Nasdaq's Listing Qualifications Department and Audit Committee requirements as follows. While this would not impact the operations or financial condition of the Company directly it could reduce liquidity in the stock and have other unforeseen negative consequences.
- On November 2, 2005, the "Company received a Nasdaq Staff Deficiency Letter from the Nasdaq Listing Qualifications Department that for the previous 30 days, the bid price for the Company's common stock had closed below the minimum \$1.00 per share requirement for continued inclusion under Marketplace Rule 4310(c)(4). In accordance with Marketplace Rule 4310(c)(8)(D), the Company was provided 180 calendar days, or until May 1, 2006, to regain compliance. In order to regain compliance, the Company must demonstrate a closing bid price for its common stock of \$1.00 per share or more for a minimum of 10 consecutive business days. The Nasdaq Staff Deficiency Letter further provided that if compliance with the \$1.00 minimum bid price requirement cannot be demonstrated by the Company by May 1, 2006, the Nasdaq Staff will grant the Company an additional 180 calendar days to regain compliance, if at that time, the Company meets The Nasdaq SmallCap Market initial listing requirements as set forth in Marketplace Rule 4310(c), except for the \$1.00 minimum bid price requirement. If the Company fails to regain compliance with the \$1.00 minimum bid price requirement during the initial 180 day period and is not eligible for an additional 180 day compliance period, the Nasdaq Staff would notify the Company at that time that the Company's securities would be delisted and the Company would have the right to appeal such delisting to the Nasdaq Listing Qualifications Panel which stays the effect of the delisting pending a hearing on the matter before the Panel.
- On January 9, 2006, the Company received a Nasdaq Staff Deficiency Letter stating that with the resignation of Gerry Quinn who served as a Director on the Company's Board of Directors and its Audit Committee, the Company no longer complied with Nasdaq's audit committee requirements as set forth in Marketplace Rule 4350. In accordance with Marketplace Rule 4350(d)(4), the Company was provided with a cure period to regain compliance until the earlier of the Company's next annual shareholders' meeting or December 29, 2006 by submitting to Nasdaq documentation, including biographies of any proposed directors, evidencing compliance with Marketplace Rule 4350(d)(4). In the event the Company fails to regain compliance within this period, the Staff Deficiency Letter stated that the Nasdaq Staff would provide written notification to the Company that its securities would be delisted. At that time, the Company would have the right to appeal Staff's

determination to a Listing Qualifications Panel, which would stay the effectiveness of the delisting prior to a decision being rendered by the Panel.

Conclusion

REDI is emerging as a potential contender in the Telematics industry with competitive solutions targeting the unmet needs of vehicle fleet operators. There is a large available market with attractive growth opportunities that should be sustainable for the next several years. Remote Dynamics is still in the early stages of trying to remake itself into a stable growth company and has made some progress to that end. Management appears to be taking appropriate measures to control costs and raise additional capital to bridge a short-term cash flow challenge so that the Company can eventually leverage its improved next-generation product offerings. The REDIview™ product line appears to be generating favorable initial customer reaction and management believes REDI's reputation for superior customer service will be a competitive advantage during the Company's recovery process. Remote Dynamics may have an attractive opportunity for revenue growth if management is able to execute and overcome near-term challenges.

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In addition to his position as a Senior Research Analyst at Harbinger Research, Mr. Anderegg is currently President of MRA Research, an independent research and trading systems consulting firm. He holds the CFA Charter and is a member of the San Francisco and Twin Cities analyst societies. His most recent research position was Research Analyst covering the Network Security Software and Storage Industries for a sell-side technology research boutique in San Francisco. His previous employers include leading companies such as IDS-American Express, GE Capital and First American Asset management. His 20 years of financial analysis, management and investment experience includes fixed income trading, treasury management, private placements, equity analysis, and portfolio management.

He earned an MBA in Finance from the University of Minnesota and a BA in Economics from Hamline University. Mr. Anderegg is also a member of the Technical Securities Analysts Association of San Francisco.

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