

Our mission: to write lively investment letters free from **soporific jargon**, but with a succinct offering of pertinent facts. Our primary goal as a money manager is of course to make money for our clients, by doing fresh and creative research, and forcing ourselves to think with energy. We like to dig deep into the operations of companies of interest, talking and visiting with management, and reading the dry but useful quarterly and annual filings, such as 10-qs and 10ks, documents that publicly traded companies must file with the Securities & Exchange Commission. Such tedious work pays off, as our record suggests. (Mission statement continued on last page.)

### [NAVTEQ, Inc. \(NYSE:NVT\): A Follow-up](#)

In our investment letter of February 7, 2007 (available on our web page, [www.fredricerussell.com](http://www.fredricerussell.com)) we introduced [Navteq](#), the Chicago company that provides the electronic digitized maps that [Garmin \(NASDAQ:GRMN\)](#), [Trimble Navigation, Ltd. \(NASDAQ:Trmb\)](#), [Google \(NASDAQ:Goog\)](#), [Microsoft \(NASDAQ: Msft\)](#), and many other companies use.

In this follow-up letter I describe how Stephen Shepherd, our firm's portfolio manager, working with [LiveSearch](#), a software program that uses maps that [Navteq](#) creates, helps me find some great restaurants in [Aspen](#), restaurants within convenient driving distance of the home of my friends. ([LiveSearch](#) is a program copyrighted by [Microsoft](#) and it is, as we shall see below, a program well suited for people who own mobile or cellular phones.)

Also, I describe how Stephen, again using [LiveSearch](#), helps me, after I have returned to [Tulsa](#), to overcome the failure of my Maytag washing machine to complete its spinning cycle, a failure that left me in a strange predicament.

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[Tulsa](#), Oklahoma, and [Aspen](#), Colorado, May 2007;

Stephen Shepherd, the firm's portfolio manager, likes to have the latest technology, whether it is his personal computer, his cellular phone, his mp3 player, his blu-ray DVD player, or anything else. This means having access to the latest advances in hardware and software.

One morning in March, shortly after awakening, he performed a quick technology inventory. Everything looked good except one thing. After he had stared at his cellular phone, he came to the sad but realistic conclusion that his phone resembled a television remote control of the 1980's: it was impossibly ugly. Furthermore, he concluded, the phone did not have the latest software, particularly a program called [LiveSearch](#) that he had heard about.

Stephen, he told me, had to do something. As soon as he had ingested the required milligrams of caffeine via Red Bull, necessary for the highest standards of morning alertness, he drove to the Cingular store nearest his home. There he scrapped his older Nokia phone and purchased a [Samsung Blackjack](#), a sophisticated device that weighs less than seven ounces. The [Blackjack](#) is sleek and comes in black, as you would have guessed.

The [Blackjack](#) is what the marketers call a smart phone. With it you can make phone calls but you can also send text messages, schedule appointments and you can run many software programs, such as [LiveSearch](#).

[LiveSearch](#) is a global positioning system mapping service that produces electronic driving

directions between two points, highlights points of interest, and also provides real-time traffic information through [Traffic.com](#), a division of [Navteq](#).

Using [Navteq](#) maps, [LiveSearch](#) can help you find anything that has a street address, whether it is a business location or a personal residence, and very fast. Before I go on I want to make sure your expectations about what [Navteq](#) can do are realistic. [Navteq](#), unlike [Zagat's](#), or other services, does not rate restaurants. [Navteq](#) tells you where the restaurants are, and draws an electronic map for you. [Zagat's](#) tells you whether the restaurant's salmon is up to snuff, whether the quesadillas are properly seasoned, and whether the beef is prime, or merely choice.

I had a trip scheduled to see clients and friends in [Aspen](#) and [Denver](#) on May 17<sup>th</sup> and I knew that I would want to do a lot of entertaining while I was in Colorado. Stephen suggested that [LiveSearch](#) could make my entertaining more efficient and enjoyable.

In [Aspen](#) my first dinner was with my friends [Birgit and John Sutor](#). I asked Stephen to use [LiveSearch](#) to find a restaurant within one and one half miles of the [Sutors'](#) home, so that my clients would not have to drive far to meet me for dinner.

[LiveSearch](#) came up with several good choices including Bagel Bites, Before the Grind, and Jimmy's: An American Restaurant and Bar, as well as the J-Bar at the [Hotel Jerome](#), the last two which are favorites of the [Sutors](#). The Jerome was closed for renovations until May 25 ([LiveSearch](#) did not know this) so the decision was easy. We decided on Jimmy's, where we enjoyed a wonderful meal and had a great time.

[Birgit and John](#), who have lived in [Aspen](#) for more than ten years---[Birgit](#) teaches at the [Aspen Country Day School](#) where [John](#) is the headmaster---did not need directions to get to Jimmy's but I was much appreciative of the help that the [Navteq](#) service provided, routing me efficiently from the [St. Regis Aspen](#), where I was staying. (I am also appreciative of the [Aspen](#) restaurant recommendations that the [St. Regis Aspen](#) concierges, [Stephanie Borgo](#) and [Laura Taylor](#), gave me. They do not use [LiveSearch](#) but they do use [MapQuest](#), a service powered by [Google \(NASDAQ: GOOG\)](#) and [Navteq](#), and

[MapQuest](#) gave me excellent driving directions to [Tempranillo](#), an excellent restaurant in [Basalt](#).

I had a great time in [Aspen](#) but when I got back to [Tulsa](#) on May 24 I faced a domestic crisis. My Maytag washing machine would not complete its draining cycle. The washer tub would fill with water and fail to empty, leaving me with a soaking load of clothes so heavy that a well-muscled Sooner linebacker, fresh from summer weight training, would have found it challenging to manage this load.

With all my clothes wet or in transit from [Aspen](#) through [United Parcel Service \(NYSE:UPS\)](#) I was in desperate straits. When I use commercial airlines I send my luggage ahead to the hotel where I will be staying to avoid the risk of lost luggage and to give me more mobility as I try to move quickly around airports. Of course it is possible that [UPS](#) could lose my luggage but the company is far less likely to do so than [United Airlines \(NYSE:UAL\)](#) which I use when traveling from [Tulsa](#) to [Aspen](#).

I knew that I had to get my clothes to the nearest laundromat that provided drop-off service, and fast. I called Stephen at the office and I asked him to locate the closest laundromat to my condo so that I could have the washing and drying job completed as fast as possible.

In less than a minute he was able to locate a business that could provide me with the service that I needed. [Blue Monday Laundromat](#) at 1902 South Harvard Avenue was open and it was just one and one half miles from my condo. The [Samsung Blackjack](#), with [Navteq](#) maps global positioning software, had solved my problem.

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The day is soon coming when [Navteq](#) and its partners will not only help you find a restaurant, but tell you how pricey it is, and if you want to name your price range, [Navteq](#) will deliver some names.

Consider this situation: you are a hungry traveler commuting westbound down 21<sup>st</sup> between Harvard and Utica, in [Tulsa](#), Oklahoma. You like turkey sandwiches but you do not wish to spend more than ten dollars on your lunch, nor do you wish to take more than a half-mile detour from the road.

The technology is close enough so that very soon hungry commuters will be able to program their eating preferences, whether for turkey sandwiches or Big Macs, into a global positioning satellite unit aided by Navteq technology which will in turn draw upon billions upon billions of bits of information, including the location of restaurants and businesses, a list of their products and how these items could meet what the global positioning system owner seeks.

The map will not only know where you are, but can tell you what exists of interest to you at any location where you find yourself. So, while the motorist is traveling west on twenty-first street in Tulsa or on Main Street (Colorado State Highway 82) in Aspen, he or she, with one or two presses of a key, will be able to find restaurants that offer a Turkey Panini for less than ten dollars, all within the stated geographical limits of the search.

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#### Google and Navteq Make another Deal

On May 31<sup>st</sup>, 2007, Google announced the introduction of Google Street, which allows users to view continuous street-level photography feeds of major cities, enabling tourists and other groups to take virtual tours of exotic locations from the comfort of their home computers. (Google offers MapQuest, a service that is dependent on the map data that Navteq produces, data that hundreds of Navteq employees amass through continuous driving on roads in more than fifty countries.)

The introduction of Google Street ought to be good news for Navteq. Google's decision to integrate photo points-of-interest into the infrastructure of its global map means that Google will likely need the help of Navteq to achieve widespread implementation of the Google Street technology. As of this writing Google Street is offered in five cities: New York, Los Angeles Miami, Las Vegas, and Chicago.

Many people use sites such as Google Maps, Map Quest and Traffic.com to learn about locations, map routes and to get up-to-the-minute traffic information. When real-time street-level video feeds are up and implemented in major cities all around the country users will be able to take virtual tours of exotic locations from the comfort of their home computers, monitor their homes while away traveling or even survey the construction of projects in distant locations from home offices. Google would be wise to consider a future acquisition of Navteq in order to take advantage of Navteq's data collection assets and experienced workforce.

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As of June 5, 2007, we hold 25,000 shares of Navteq with an average cost of \$30.58; we first bought Navteq shares on October 27, 2006 with a cost of \$764,500. The market value of our holdings as of October 27 is \$1,087,250 for an unrealized gain of \$322,750. Different clients may have different costs for their Navteq holdings.



The firm's fearless and irreverent leader and the writer of this investment report, Fredric E. Russell (see vitae below), and his colleagues from left to right: Meredith Bohot, and Cammi Hyde, both in client relations, Stephen Shepherd, portfolio management, and Linda Robinson, accounting.

I express my thanks of course to Meredith Bohot, Cammi Hyde, and especially to Stephen Shepherd, my fellow workers who helped by

giving perspective on the companies that we cover, and also helped with the editing and formatting of this letter.

The writer of this report, Fredric E. Russell, lists the following as his academic background: B.A., Swarthmore College, Swarthmore, Pa.; M.B.A, and M.A., Washington University, St. Louis, Mo. He also holds the CPA certificate, and has taught accounting at the university level. He believes his love for writing and his usually correct grammar come from spending four years learning the English language at Deerfield Academy in Deerfield, Mass., and from reading everything well written he can find.

We may liquidate, decrease, or increase these positions at any time, without any prior notification to anyone. Due care has been taken to insure the accuracy of the contents of this letter but the firm does not guarantee such accuracy. This is not a solicitation of any order to buy or sell; and our views may change with regard to the above mentioned securities.

If you wish to deposit additional funds into any of your accounts, or if you wish to open an account, please call Cammi Hyde or Meredith Bohot at (918)-743-5959 so that we may assist you with the few minutes of work that such a deposit will require.

And, remember, if you call us, you will never hear the following: we're sorry; all of our customer service representatives are busy helping other customers. Your call is important

to us; please stay on the line for the next available customer service representative.

I often wonder: if my calls which often go unanswered for many minutes, especially at Delta Air Lines or United Airlines, are so important, why does not someone answer them faster?

We will answer our phone promptly and otherwise treat you with respect and courtesy, the respect and courtesy our clients deserve. You have my word.

\*Mission Statement (Continued) The purpose of our research, which is not derailed, confused, or compromised or corrupted by the pursuit or existence of investment banking relationships, is to lead us to publicly-traded companies that enjoy pronounced competitive advantages, advantages which usually include a number one or a number two market position and participation in industries characterized by large barriers to entry. Most important, the company must produce or deliver an unusually high quality product or service. Our candidates must also enjoy high returns on working capital, and must aggressively and systematically retire their common stock. Examples include Color Kinetics (NASDAQ: CLRK); DENTSPLY International (NASDAQ: XRAY); Navteq (NYSE:NVT), and Moody's (NYSE: MCO).