

**FORM 51-102F3**  
**MATERIAL CHANGE REPORT**

**Item 1 – Name and Address of Company**

AirIQ Inc.  
1099 Kingston Rd.  
Suite 233  
Pickering, ON  
L1V 1B5

**Item 2 – Date of Material Change**

June 21, 2004

**Item 3 – News Release**

The news release reporting the Material Change described in this report was issued in Toronto, Ontario on June 21, 2004.

The news release was distributed through CCMatthews and filed with the Toronto Stock Exchange and each of the relevant Canadian securities regulatory authorities via SEDAR. The news release is attached hereto as Schedule “A” and incorporated by reference herein.

**Item 4 – Summary of Material Change**

On June 21, 2004, AirIQ Inc. (“AirIQ”), announced the signing of a definitive agreement to acquire the business of Aircept.com, LLC (“Aircept”), based in Irvine, California. The acquisition will be conducted through AirIQ’s wholly owned subsidiary, AirIQ U.S., Inc. (“AirIQ USA”) in an asset purchase transaction. The purchase price is to be paid in the form of approximately \$6,750,000 in cash and 16,800,000 newly issued common shares of AirIQ (“AirIQ Shares”) at closing, a portion of which will be held in escrow. Two additional cash payments of approximately \$5,737,500 are payable by AirIQ to Aircept, each upon the satisfaction of certain earn-out conditions. The AirIQ Shares issued in the transaction will be subject to contractual hold periods and will be released 50% one year after closing, 25% eighteen months after closing and the balance in two years. Closing of the transaction is conditional upon customary closing conditions including completion of due diligence. Additionally, closing is conditional on delivery by Aircept of three-year audited financial statements and satisfactory agreements by AirIQ with its current lenders. In connection with this transaction, AirIQ has provided Aircept with a deposit, which is held in escrow and returnable to AirIQ in certain limited circumstances including the non-delivery of Aircept’s audited financial statements.

## **Item 5 – Full Description of Material Change**

On June 21, 2004, AirIQ announced the signing of a definitive agreement to acquire the business of Aircept. The business consists of the development and provision of location, products and services for consumer and commercial applications including wireless asset management services in the fleet management, consumer vehicle tracking and wireless security industries. The acquisition will be conducted through AirIQ's wholly owned subsidiary, AirIQ USA, in an asset purchase transaction.

The asset purchase transaction, expected to close within several weeks of announcement, is valued at approximately \$23,769,000, using the average closing price for the 5 days prior to the announcement, or \$0.33 per AirIQ Share. The purchase price is to be paid in the form of approximately \$6,750,000 in cash and 16,800,000 AirIQ Shares at closing, 4,200,000 of which will be held in escrow until the second anniversary of the closing date, and the assumption of certain liabilities of Aircept. Two additional cash payments of approximately \$5,737,500 are payable by AirIQ to Aircept, each upon the satisfaction of certain earn-out conditions. These conditions may be satisfied upon the acquired business reaching 120,000 and 150,000 subscriber levels, respectively that generate approximately \$810,000 and \$1,012,500 of average monthly airtime revenue (excluding hardware revenue), respectively, and approximately \$405,000 and \$506,250 of average monthly gross profit, or approximately \$472,500 and \$573,750 of related average monthly gross profit attributable to monthly airtime revenue (excluding hardware gross profit) respectively, over three consecutive months prior to the second anniversary of the closing date. The payments are subject to adjustment in the event that the net operating assets of the business are less than approximately \$1,586,250 on June 30, 2004.

The AirIQ Shares issued in the transaction will be subject to contractual hold periods with 50% to be released one year after closing, 25% eighteen months after closing and the balance two years after closing. Closing of the transaction is conditional upon customary closing conditions including completion of due diligence and the receipt of any necessary consents and approvals, including that of the Toronto Stock Exchange. Additionally, closing is conditional on delivery by Aircept of three-year audited financial statements and satisfactory agreements by AirIQ with its current lenders. In connection with this transaction, AirIQ has provided Aircept with a \$675,000 deposit, which is held in escrow and returnable to AirIQ in certain limited circumstances including the non-delivery of Aircept's audited financial statements or if the audited financial statements reveal a material adverse change as compared to the unaudited financial statements already provided to AirIQ. The definitive agreement also contemplates customary closing deliveries by each party to the agreement.

The definitive agreement contains customary representations and warranties by each party which survive the closing of the transaction for 2 years and customary indemnification provisions in the event that there is a breach of any such representation or warranty. AirIQ would be entitled to set-off the amount of a claim for any such breach against its earn-out payment obligations prior to their payment or, absent any such set-off, through the surrender by Aircept of escrowed shares

having a value equal to such claim, such shares to be valued using the average closing market price for the twenty trading days preceding the date of such claim.

The definitive agreement also contemplates that the controlling member of Aircept will be nominated for election to the AirIQ board of directors at the earlier of the occurrence of a vacancy on the board or the first annual meeting of AirIQ shareholders following the closing date.

The agreement is terminable prior to closing by either party in the event that any of the other party's closing conditions become incapable of being fulfilled, by mutual consent or if the closing shall not have occurred on or prior to July 20, 2004.

Ken Wiesner, President and Chief Executive Officer of Aircept, will become the President of the new Aircept Division of AirIQ USA.

AirIQ USA intends to hire all 43 California-based Aircept team members to work with the Toronto, Canada-based AirIQ team of 62.

Unless otherwise specified, all dollar figures mentioned herein are in Canadian dollars converted on the basis of \$1.35 Canadian for each \$1 US.

**Item 6 – Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

**Item 7 – Omitted Information**

Not applicable.

**Item 8 – Executive Officer**

For further information, please contact Mark W. Kohler, Chief Financial Officer, at the above-mentioned address or at 905.831.6444 ext. 4250.

**Item 9 – Date of Report**

June 25, 2004

## SCHEDULE "A"

### NEWS RELEASE

#### **AirIQ to acquire Aircept business, will create Telematics powerhouse** *AirIQ revenues to triple with combined base of over 115,000 subscribers*

**TORONTO, ONTARIO - June 21, 2004** - AirIQ Inc. (TSX: IQ), a leader in the Telematics industry, announces the signing of a definitive agreement to acquire the business of Aircept.com, LLC, based in Irvine, California. The acquisition will be conducted through the Company's wholly owned subsidiary AirIQ U.S., Inc. ("AirIQ USA") in an asset purchase transaction. A strong contributor to the Telematics service industry, with over 80,000 active subscribers, Aircept has built an impressive subscriber growth engine for clients requiring a core Telematics service set. Over 15,000 new subscriber units were sold by Aircept in the first quarter of 2004 alone.

"Such highly compatible business models make this an ideal combination," explains Don Simmonds, President and CEO of AirIQ. "It also signals our intent to lead a consolidation of the Telematics service industry."

The asset purchase transaction, expected to close within several weeks, is currently valued at approximately \$23,769,000, using the previous 5-day's average closing price per AirIQ share, or \$0.33. The purchase price is to be paid in the form of approximately \$6,750,000 in cash and 16,800,000 newly issued common shares of AirIQ at closing, a portion of which will be held in escrow, with two additional cash payments of approximately \$5,737,500, each upon the satisfaction of certain earn-out conditions. These conditions may be satisfied upon the acquired business reaching 120,000 and 150,000 subscriber levels respectively, and achieving related revenue and gross profit targets that effectively result in revenue increases of approximately 71% and 114% respectively over Aircept's current monthly service revenue. The AirIQ shares used in the transaction will be subject to contractual hold periods and will be released 50% one year after closing, 25% eighteen months after closing and the balance in two years. Closing of the transaction is conditional upon customary closing conditions including completion of due diligence. Additionally, closing is conditional on delivery by Aircept of three-year audited financial statements and satisfactory agreements by AirIQ with its current lenders. In connection with this transaction, AirIQ has provided Aircept with a deposit, which is held in escrow and returnable to AirIQ in certain limited circumstances including the non-delivery of Aircept's audited financial statements.

"Under Ken Wiesner's leadership, the operational management of Aircept has done an outstanding job," Mr. Simmonds continues. "The key to this particular combination is an expedited revenue trajectory without the proportionate future costs of independent operations. Through a careful and methodical process, over time we intend to integrate common costs and take advantage of increased purchasing power, all without distracting the excellent market momentum of either party."

“The Aircept team has succeeded in its quest to build a company that is a dominant provider of core location-based services, and we believe the time has come to join forces with AirIQ, highly respected in our industry,” said Ken Wiesner, President and CEO of Aircept. “Our team is excited to work shoulder to shoulder with AirIQ to increase our combined market effectiveness as Telematics hardware and service providers.”

Mr. Wiesner will become the President of the new Aircept Division of AirIQ USA.

AirIQ USA intends to hire all 43 California-based Aircept team members. Working with the Toronto, Canada-based AirIQ team of 62, the combined operations will expand AirIQ's North American presence, noting that Aircept has been successfully growing revenues from Mexico, in addition to the United States.

The integration strategy involves optimized subscriber acquisition across North America, combined purchasing power and a unified product and service development plan. These steps are expected to accelerate business model economics through faster revenue acquisition, but with less expense than that of two independent companies, thereby resulting in incremental cash generation.

The following are unaudited financial highlights (based on U.S. GAAP) of the Aircept business on a standalone basis:

	<u>2003</u>	<u>Q1 2004</u>
Revenues	\$16,119,000	\$5,186,000
Gross Profit	\$6,517,000	\$2,102,000
%	40.4%	40.5%

Unless otherwise specified, all dollar figures in this news release are in Canadian dollars converted on the basis of \$1.35 Canadian for each \$1 US.

## **About AirIQ**

AirIQ trades on The Toronto Stock Exchange under the symbol IQ. A leader in the Telematics marketplace, AirIQ is headquartered in Pickering, near Toronto, Canada. The Company operates as a wireless Internet applications service provider specializing in Telematics. Telematics is the name given to information and control messages sent wirelessly to and from vehicles. AirIQ's services are offered to three large commercial markets (rental vehicle, commercial transport and heavy equipment fleets) and the Consumer market. AirIQ gives vehicle owners the abilities to manage and protect their mobile assets. AirIQ's services include: vehicle locating, boundary notification, automated inventory, maintenance reminders, security alerts, vehicle disabling, unauthorized movement alerts and many more features. For more information, please call 1(888) 606-6444 or visit [www.airiq.com](http://www.airiq.com).

## About Aircept

Aircept.com, LLC is a privately held company headquartered in Irvine, California. Founded in 1998 as Location Systems Technologies, Aircept is a leading developer, manufacturer and service provider in the Global Positioning Satellite (GPS) marketplace. Aircept provides wireless vehicle monitoring and tracking services to several vertical markets, including: consumers, rental vehicle fleets, heavy equipment fleets, commercial transport fleets and marine vehicles. Aircept's system integrates advanced tracking technologies with terrestrial wireless networks and the Internet making tracking and monitoring mobile assets affordable and convenient. Aircept is an innovator and pioneer in the development of wireless asset tracking products and services. For more information, please call 1(877) 684-2040 or visit [www.aircept.com](http://www.aircept.com).

For more information please contact:

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## Forward-looking Statements

This news release contains forward-looking information based on management's best estimates and the current operating environment. These forward-looking statements are related to, but not limited to, AirIQ's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains words such as “anticipate”, “believe”, “expect”, “plan” or similar words suggesting future outcomes. Such forward-looking statements are as of the date which such statement is made and are subject to a number of known and unknown risks, uncertainties and other factors which could cause actual results or events to differ materially from future results expressed, anticipated or implied by such forward-looking statements. Such factors include, but are not limited to, changes in market and competition, technological and competitive developments and potential downturns in economic conditions generally. Therefore, actual outcomes and results may differ materially from those expressed in such forward-looking statements. AirIQ disclaims any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.