NBT EQUITIES RESEARCH

EMERGING GROWTH STOCKS THAT WORK

UPDATE ON:
VELATEL GLOBAL COMMUNICATIONS, INC. ($VELA)

July 22, 2011

NBT EQUITIES RESEARCH UPDATE REPORT ON:
VelaTel Global Communications, Inc.
(formerly China Tel Group, Inc.)
Symbol: VELA
Analyst: Tobin Smith, Chief Research Analyst
Industry: Wireless Broadband Mobility
Micro-Segment: 4G Mobile Broadband Carriers
Rating: Speculative Strong Buy

Target 2012: $1.25
Target 2015: $4.25
Share Price: July 22: .18
Market Capitalization: $97,956MM
Shares Outstanding: 544,200,000
52-Week Range: .085 to 0.42

We extend our coverage on VelaTel Global Communications, Inc. (see disclosure) formerly known as China Tel Group, Inc. with Speculative Strong Buy recommendation.

Currently the market cap for VelaTel is $97,956MM and per-share price (on 425 million shares outstanding) is 18 cents per share. The company is 18 months behind its original development schedule, and several aborted financing deals have left VelaTel with a severely disappointed shareholder base and incredibly depressed public market value.

However, VelaTel's transformation is one for the record books -- going from co-developing a 49% interest in a single Wi-Max wireless broadband access network within 12 major cities in China to an international, three-continent mobile wireless carrier in 10 countries that's 10-20 days away completion.

In short, to their credit, VelaTel management has in our opinion pulled a multibillion-dollar rabbit out of the proverbial hat.

The current NBT discounted cash flow/present valuation model (of forecasted operating income from VelaTel's forecasted carrier operations) indicates a private company terminal per share value of VelaTel's operating assets (with 800 million shares outstanding) in excess of $1.25 per share at 2012 year-end and $3.75 to $4.25 per share by 2015.

See summary of VELA (formerly ChinaTel) valuation here:
http://www.slideshare.net/NBTequitiesresearch/nbt-equities-research-velatel-global-communications-valuation-model

Our Investment Thesis

Our near-term investment thesis for the vast appreciation of the VelaTel Networks comes from connecting the dots from:

a) Our highly integrated ten-key point analysis of VelaTel and the inflection point of $8-$12 4G TD-LTE broadband mobility to 1 billion consumers in the emerging markets.
b) The addition of at least FOUR major market moving positive stock market catalysts over the next six months.
c) The REMOVAL of SIX value-destroying negative stock market catalysts surrounding the public structure, management support of the stock price and equity capital.

#1 Catalyst: Revenue and Operations Transparency

The final transformation from a development-stage/China-only carrier to a multiple-country/-continent mobile broadband carrier begins August 1, 2011.

VelaTel has morphed from a minority option owner of a China-based Wi-Max carrier network into multi-country, multi-carrier holding company (all with controlling interests and 100% consolidating revenues). The company begins operations August 1 in its first national 4G mobile data carrier in Peru (95% owned subsidiary PeruSat SA).

By end of August 2011, VelaTel is on-track to close on three additional 2.5GHz 4G mobile data carrier acquisitions under LOI with a 4G spectrum ownership group in Eastern Europe (specifics still under NDA). At least two of those carriers are currently operating Wi-Max networks (upgradable to TD-LTE) with completed network operations and data centers.

The Eastern European mobile broadband network acquisitions will bring VelaTel two additional majority-owned and -controlled and 100%-revenue-consolidating-carriers by the end of their fiscal third quarter. At least three additional countries are under LOI term sheets in neighboring Eastern European countries.

Later this year, VelaTel management reports they are on-track to begin carrier operations in three additional network carriers in China:

- **Golden Bridge Netcom Communications**—a majority-controlled 3.5GHz 4G mobile wireless network carrier with initial operations in Xiamen and Fuzhou (11 million in population). VelaTel reports equipment has been ordered and PAID FOR in both cities and operations LIVE by December.
- **Sino Crossing Ltd.**—the first 14,000km (about 8,700 miles) of a 34,000km (over 21,000 miles) fiber optic network connects 90% of China with 100-gigabit dual-cable fiber optic networking.
- **Chinacomm Network**—its dual-band 3.5GHz Wi-Max/4G network (in which VelaTel hold an option to acquire up to 49%), will begin operations in Beijing, Shanghai and Shenzhen, China -- representing over 60 million in population.

As VelaTel gains steam and reports to the investment and 4G industry about:

- **Six 4G mobile broadband carriers operating and generating revenues by the end of 2011**
- **Addressing populations of over 200 million consumers** thirsty for affordable mobile broadband service (and on their way to 1 Billion+ consumers)
- **14,000km of backhaul fiber network "lit" and operating in China**—with 34,000km of total backhaul fiber and options to acquire Metro Ring fiber in all the major cities in the largest and fastest growing Internet using nation on earth
- **3-5 additional national Eastern European carriers** under LOI acquisition deals to close later in 2011
- **A Russian 4G Network development deal** now 75% complete
- **Additional network development deals** in progress in India, Singapore, the Philippines, , countries in the Caribbean Islands and Southern Pacific Islands, and countries in the Middle East and North Africa …

We are confident VelaTel will very soon no longer be an unknown and mysterious company to the emerging-growth capital markets or the international 4G community.

Furthermore, we are extremely confident VelaTel will be recognized by both the investor community and the wireless broadband industry as:

a) THE best positioned green-field 4G wireless broadband access carrier network within the fast growing emerging markets
b) THE best global pure-play stock for gaining direct exposure to the 2600% growth into 2015 of global mobile data consumption.

#2 Catalyst: Positive Cash Flow from VelaTel Carrier and Fiber Network Operations by 2011

A) VelaTel is now on track to generate operating revenues from its 3 carrier operating units in Q3 and 5 operating units by Q4 2011. See financial forecasts here: http://www.slideshare.net/NBTequitiesresearch/velatel-global-communications

B) VelaTel will be cash-flow-positive from operations in 2012 as their virtually unlimited equipment vendor financing package from ZTE Corp. defers interest payments (2.5% over Libor) for 12 months AFTER final installation of 85% financed equipment.

C) VelaTel expects 30-50%+ margins from retail sales of 4G terminals (dongles, Mi-Fi cards, PMCIA cards, netbooks and tablets) with PRE-installed 4G packaged service (10G-50G depending on the offer) within their Peru, China and Eastern European carriers

Every quarter of ramping revenues from operations and EBITDA starting 3rd quarter of 2011 will raise the profile and value of VelaTel on a multiple of EBITDA basis.

See the Chart of Revenue from NBT Valuation here:

http://www.slideshare.net/NBTequitiesresearch/nbt-equities-research-velatel-global-communications-valuation-model

#3 Catalyst: VelaTel's Killer Value Proposition for the Gigabit Consumer Generation

$8-$12 Affordable 4G mobile broadband service for the mass emerging-market consumer marketplace.

In general, the VelaTel value proposition to the consumer markets it addresses is: **20 times the speed of 3G connectivity at 40-60% LOWER price per gigabit of data than 3G competition.**

In the VelaTel Networks carrier footprint, however, many times delivering ANY affordable broadband service (affordable is $6-$12 a month pre-paid data plans) will be the killer value proposition.

VelaTel's average $10-$20 for 10 Gigabits of broadband price point in China is 40-70% LESS than the 10 gigabit data plan from China Mobile or China Telecom today (avg. $42 in Shanghai in May 2011) AND 10-20 TIMES the 528k average speed.

In Russia today, $10 for 10G would be @ $30 a month LOWER than monthly price plans from 4G carrier Yota. **http://www.yota.ru/en/prices/changes/** 1400 Russian rubles = 49.6472 US dollars.

Similar value is represented in ALL the countries and regions VelaTel has planned wireless broadband access (WBA) network development.

Already, research shows that mobile internet consumers find the mobile web too SLOW.

Research from 4000 mobile internet users from Compuware and Equation Research show how important getting 4G 6Mbps to 12Mbps speed is the broad adoption of the mobile internet.

In other words, EXACTLY what VelaTel is bringing it customers at a very affordable price per 10G of data.

By Kevin C. Tofel at GigaOm
Tue Jul 19, 2011 4:36pm EDT

High consumer expectations for the mobile web aren't yet being met, with 71 percent expecting sites to load on smartphones just as fast as they load on desktop computers. This adds a challenge for companies trying to build a mobile presence, as 43 percent of smartphone users won't return to a site if it loads too slowly on the handset. Mobile websites are gaining functionality and therefore complexity, which can both tax the processing power of a smartphone while also loading slowly on 3G networks that looked speedy just a few years ago.

The data on consumer tolerances for mobile website performance comes today from a Compuware survey of 4,014 mobile web users around the world. The report, dubbed "What Users Want From Mobile," paints an unexpectedly dreary picture for the mobile web, even as more people are switching from feature phones to capable smartphones. The survey illustrates that the longer the load time of a mobile site, the higher the rate of abandonment: Seventy-four percent of mobile phone users won't wait more than 5 seconds for a page load. A few other noteworthy data points from the free report, which also mentions mobile apps in passing:

- *Almost half of those surveyed, 46 percent, said websites load more slowly on their phone than on the desktop.*
- *Nearly 60 percent of web users say they expect a website to load on their mobile phone in 3 seconds or less.*
- *An even 50 percent are only willing to wait 5 seconds or less for an application to load before exiting.*
- *More than 80 percent of mobile web users would access websites more often from their phone if the experience was as fast and reliable.*
- *Nearly half of mobile web users are unlikely to return to a website that they had trouble accessing from their phone, and 57 percent are unlikely to recommend the site.*

Fortunately, some help is on the way: This year is shaping up to be the coming-out party for dual-core chips and 4G networks. Most new high-end handsets arriving today are powered by processors with two computing cores clocked at 1 GHz or better, which provides a noticeable performance boost over last

year's smartphones: Web pages can render much faster with these chips. And although T-Mobile and Sprint led the 4G charge prior to this year — depending on your definition of 4G, that is — networks are now seeing upgrades that can provide download speeds of 12 Mbps or more on a mobile device.

#4 Catalyst: VelaTel's Superior Business Model: VelaTel's business model is simple:

1) build order-of-magnitude, lowestCAPEX/OPEX cost and HIGHEST efficiency 4G dual-band TD-LTE networks
2) in emerging markets with low relative internet penetration rates
3) offer UNIVERSAL handset and terminal compatibility via the TD-LTE standard to become
4) The 40%-60% LOWEST-cost 4G service provider within their networks national footprint.

Because of VelaTel's

A) Superior economic model (acquiring 2.5Ghz to 3.5Ghz spectrum assets via joint venture vs. $billion auctions)
B) Low-cost/high-efficiency 4G network equipment partnership with ZTE Corp. (with 85% interest-only vendor financing at 2.5% over Libor)
C) 25 years of experience in wireless network deployment (from predecessor company Trussnet Group and Velocitel Networks)
D) Universal handset/terminal compatibility via China Mobile Communications Network (CMCC) 4G TD-LTE and its ALL spectrum frequency compatibility from 700 MHz to 2.7 GHz and 3.5-3.7Ghz …

VelaTel focuses its business model on emerging markets where

- Internet penetration is low relative to capacity of incumbent operators to provide comparable cutting-edge services, and/or
- Where the "entry cost to acquire" spectrum is low relative to projected subscribers
- National GDP and household income is large enough and growing enough to afford mass market affordability for VelaTel's 4G broadband mobility service packages.

VelaTel's business and economic model puts them in the sweet spot of the fastest-growing economic force in history: the transformation to ubiquitous global 4G broadband mobility service.

#5 Catalyst: VelaTel's Inclusion in the China Mobile's Universal 4G Standard TD-LTE

As a member of the Global TD-LTE Initiative, VelaTel will greatly benefit from the low-cost handsets and terminals due to the universal compatibility of the TD-LTE 4G standard.

This effect is what we call the "Tony Montana" school of mobile wireless economics:

- First you get the lowest-cost handsets and terminals.
- NEXT you get the highest market share from price/value economics.
- THEN you get the premium enterprise value in the public capital markets.

China Mobile's roll-out of 4G service in China does NOT begin till 2014—that is the mandate from the PRC and their telecommunications agency MIIT.

China Mobile simply cannot afford to have their 4G TD-LTE standard be overwhelmed by the FDD-LTE standard: remember the Tony Montana law of wireless service market share and economics. China Mobile has for years paid 15-25% HIGHER prices for handsets as a result of being shackled to their mandated 3G system TD-SCDMA

To insure that China Mobile's 4G handset and terminal prices are the LOWEST in China, they HAVE committed to do "whatever is required" to "seed" and propagate the TD-LTE standard around the world BEFORE 4G is introduced in their home market.

As the Who lyrics go "They won't get fooled again" on an isolated wireless technology standard.

A Global TD-LTE Initiative (GTI) has been established by China Mobile to bring ONE standard cross-all spectrum out to the world. The initiative aims to bring together leading industry partners to steer the TD-LTE ecosystem as a major standard in mobile broadband technology and drive the development of next-generation mobile broadband networks.

Seventy 4G Companies and the world's largest mobile carriers -- China Mobile and India's Bharti Airtel (plus Japan's Softbank and others) -- are committed to the universal TD-LTE 4G standard.

The Technology Convergence

There are two 4G technology standards: FDD LTE and TD-LTE. BOTH standards are very similar. As a result, devices can support both the FDD and TDD interfaces through a single chipset -- i.e., without any additional cost.

With the TD-LTE standard, this means ONE chipset and antenna for 700 MHz spectrum through 2.7 GHz and 3.6 GHz spectrum. Universal handsets and terminals via TD-LTE standardization.

BUT—the TD-LTE standard is a MUCH more efficient user of bandwidth—a KEY part of the VelaTel value proposition. Carriers get MUCH more bandwidth bang for their equipment CAPEX buck.

TD-LTE is extremely important to China Mobile—and China Mobile is doing EVERYTHING that a $250 billion market cap company---15th largest company by market cap in the world—CAN do to achieve GTI's stated goal of "one standard, one network platform, and single-chipset solutions."

As we previously mentioned in this report, China Mobile got screwed in the 3G standard transformation—and got 15%-to-25% HIGER cost handsets as a result. (Source: "Cell Shackles Crumble" WSJ July 22, 2011).

According to Bill Huang, general manager of China Mobile Research Institute:

> *"China Mobile believes that the convergence of TDD and FDD and the support of multiband are important for the mobile industry to realize the global scale and global roaming capabilities of the LTE standard. Cooperating with industry partners, China Mobile has made great strides in the convergence of TD-LTE and LTE FDD. The vision of "one standard, one network platform, and single-chipset solutions" has built a solid foundation for the development of a global LTE terminal."*

FACT: There is a lot of TDD spectrum available throughout the world, and in most cases it is cheaper and less-utilized than FDD. The convergence of TDD and FDD LTE technology and its combined global scale will bring to the market the highest performance, the widest selection and the most cost-effective of end-user devices.

Again—VelaTel's strategy puts them within the "Holy Grail" sweet spot of broadband mobility service: VelaTel Networks are able to offer the LOWEST cost UNIVERALLY compatible handsets and terminals (USB modem and dongle, PC card, router, personal Wi-Fi hotspot, Smartphone, tablet, netbook, EReader, gaming devices) with 40-60%+ LOWER cost 20X faster 4G mobile broadband service.

We call this the VelaTel Networks "SinglePlay" strategy—more on this key value driver later in this report. We believe SinglePlay or digital service "re-aggregation" is going to rapidly change the landscape of digital content consumption and brand selection in MOST emerging countries around the world.

In a world that is rapidly becoming "TV everywhere/Music everywhere/Real-time Gaming everywhere/Social Media everywhere" getting ONE wireless mobile broadband pipe to EVERY digital device in the home or office IS the NEW normal.

Anytime, anytime on any device means consumers will more and more only need ONE 5Mbps to 12Mbps mobile wireless broadband connectivity provider to get EVERYTHING they want and need.

That is the killer Velatel value proposition: SinglePlay means Anything/Anytime/Anywhere digital content over ONE wireless broadband pipe.

#6 Catalyst: Unworldly 2600% Demand Growth for Mobile Data by 2015 = Worldwide Data DEMAND doubling every 10-12 Months = The Largest Wealth-Creation Opportunity of Our Lifetime

In our 30 years of investing, we have NEVER seen economic and demand fundamentals like the transition to 4G broadband mobility. The reason is … there have never BEEN secular growth and scope fundamentals like 4G broadband mobility.

Billionaire investors like Steve Cohen of SAC Capital, Phil Falcone of Harbinger Capital, and Glenn Hutchins of Silver Lake all have built multibillion-dollar investments in 4G.

NBT has held an over-weight in the space since its inception. Disclosure: NBT principals own/control over 20 million shares of VelaTel (CHTL) and are organizing a single purpose investment vehicle (VelaTel 2015 Fund LP) to acquire up to 120 million shares.

In short, NBT is VERY LONG what we also believe is the largest wealth-creation opportunity of our lifetime. We believe that VelaTel, with its current business model and "SinglePlay" strategy, is the ideal vehicle to capitalize upon the enormous wealth creation in Broadband Mobility.

In discussing the wealth-building potential of Broadband Mobility, Glenn Hutchins of Silver Lake Partners (Source: June 20-26, 2011 Bloomberg BusinessWeek) says it best:

> *"Broadband Mobility is potentially the largest investment opportunity of our lifetimes. Rough numbers: There are 5 billion subscriptions to handsets today, 4 billion devices. We're 25 to 30 years into the PC trend and there are only a billion PCs in use.*
>
> *There are low-single-digit billion bank accounts, TV sets, credit cards. These are some of the largest consumer markets ever developed.*
>
> *Four billion handsets and one billion smart phones. (A note from NBT—this is going to 10 billion devices in 2015 and 50 billion digital devices hooked to a data network by 2020, according to Gartner Group and most other research firms.)*
>
> *These devices that we use now are increasing the data that go across the network by 10, 15, and 20 times, which means that the use of networks is at least doubling every year. We're in an economy in which people are worried about whether it's going to be 1½ or 2 percent growth,* ***and you've got a part of the world that's doubling every year."***

NBT agrees…and we own/control nearly 20 million shares in VelaTel for this ONE basic reason: VelaTel is now perfectly positioned to build enormous enterprise value over the next 4-5 years as it captures significant market share for broadband mobility service tsunami of consumption in emerging market countries worldwide.

The billions of dollars in market cap we project for VelaTel is 100% PURELY a function of:

a) The inexorable global mobile data traffic and terminal growth rates in 2011-2015.
b) The inevitable ubiquitous ramp to an over-the-top ("OTT") of wireless 4G broadband to a TV everywhere/Music everywhere/Real-time Gaming everywhere/Social Media everywhere digital lifestyle
c) VelaTel's superior business model and mass market affordable SinglePlay consumer value proposition that creates significant market share capture from VelaTel emerging-market carrier subsidiaries.
d) All of which generates a billion-dollar ramp in revenues and EBITDA for the holding company VelaTel Global Communications Inc.

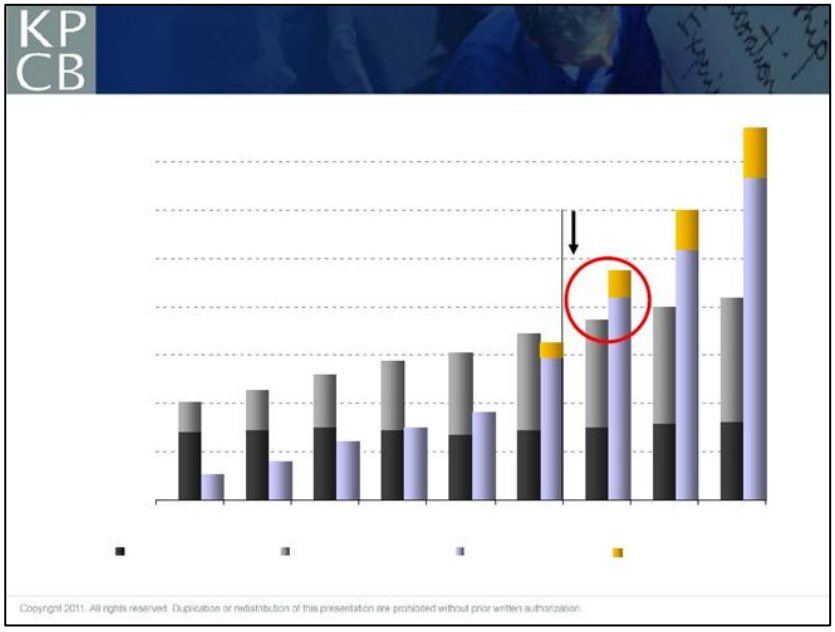
In our opinion, IF understand

a) the world of data consumption we live in for the next five years (Source: Cisco Visual Networking Index),
b) the inevitable migration to OTT anywhere/anytime/any device TV/Music/Gaming/Social Media you HAVE to own an over-weight position in the low-cost broadband mobility carrier in the emerging markets where THOSE broadband mobility growth rates are 2x-5X the world's average.

Broadband Mobility Drivers: The Post-PC Era is Here - Broadband Mobility is The New King in Technology

The definitive research report on the Post-PC/Broadband Mobility Era is **Mary Meeker's Top Mobile Internet Trends report 2/10/11**.

The REALLY reductionist analysis of this and other reports is that the KEY drivers of the 92% CAGR growth in data consumption around the world did not EXIST when VelaTel was started in 2008.



Global Unit Shipments of Desktop PCs+Notebook, PCs+Smartphones+Tablets 2005-2013E
The inflection point for mobile Internet was hit in 2011 … it's circled on the graphic.

Mobile Platforms Hit Critical Mass – the iPad, Android, iPhone, etc. have all hit critical mass in their adoption rates in the developed world and now in the emerging economies, too.

Social Networking Accelerating Growth of Mobile –Social Networking Facebook at 750MM users, iPhone/iTouch/iPad over 150MM users, Google 972MM users

Time Shifting to Mobile Usage: 60% of time on smartphones is non-voice or e-mail.

Web sites (or, more likely, apps) like Facebook, Hulu, Shazam, Spotify, Twitter and Pandora ALL are leading mobile data usage trends HIGHER at the same time text messaging is being replaced by mobile IM services like textPlus.

All of these secular shifts are happening

1) worldwide and
2) at the same time.

Mobile Network 2011 to 2015

Mobile Platform + Social Networking + Time Shift to Mobile = 2,600% Mobile Data Growth 2011-2015. And in the emerging countries, this growth rate is two to five times that of developed countries.

The ONE Chart You MUST Own: PS it's FREE.
http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-520862.html

This is the ONE and only chart and research PDF an investor really needs to make technology investment decisions for the next few years.

Appendix A: The Cisco VNI Global Mobile Data Traffic Forecast

Table 1 shows detailed data from the Cisco VNI Global Mobile Data Traffic Forecast. The portable device category includes laptops with mobile data cards, USB modems, and other portable devices with embedded cellular connectivity.

Table 1. Global Mobile Data Traffic 2010-2015

	2010	2011	2012	2013	2014	2015	CAGR 2010-2015
By Application Category (TB per Month)							
Data	73,741	160,101	321,036	561,242	893,330	1,407,000	**80%**
File sharing	33,510	64,186	113,821	176,657	258,727	378,559	**62%**
Video	117,943	288,405	655,442	1,334,333	2,452,898	4,149,610	**104%**
VoIP	4,021	6,120	9,067	11,797	14,386	23,282	**42%**
M2M	7,462	27,234	63,575	113,509	186,603	295,469	**109%**
By Device Type (TB per Month)							
No smartphones	10,193	20,699	36,900	63,281	110,302	193,127	**80%**
Smartphones	35,451	97,490	250,877	566,772	1,081,368	1,661,689	**116%**
Laptops and netbooks	160,505	341,602	683,663	1,223,207	2,047,264	3,481,982	**85%**
Tablets	1,210	6,510	21,621	55,551	122,208	247,646	**190%**

Home gateways	21,686	51,994	105,038	171,898	250,741	362,584	**76%**
M2M	7,462	27,234	63,575	113,509	186,603	295,469	**109%**
Other portable devices	170	521	1,276	3,345	7,504	11,493	**132%**
By Region (TB per Month)							
North America	48,959	118,084	235,411	416,025	674,579	986,039	**82%**
Western Europe	64,407	145,685	325,518	634,869	1,072,665	1,631,953	**91%**
Asia Pacific	54,919	128,445	269,218	529,806	996,624	1,836,842	**102%**
Japan	40,245	86,478	172,112	289,322	425,161	577,998	**70%**
Latin America	11,687	25,997	60,486	127,206	257,463	487,784	**111%**
Central Eastern Europe	10,312	24,617	55,733	110,011	200,927	346,296	**102%**
Middle East and Africa	6,147	16,744	44,473	90,324	178,570	387,078	**129%**
Total (TB per Month)							
Total Mobile Data Traffic	236,676	546,050	1,162,950	2,197,563	3,805,989	6,253,991	**92%**

Source: Cisco VNI Mobile, 2011

Investors would do themselves a favor and print this chart and stick to their wall next to the place they do their investing.

Figure 1. Mobile Data Traffic by 2015

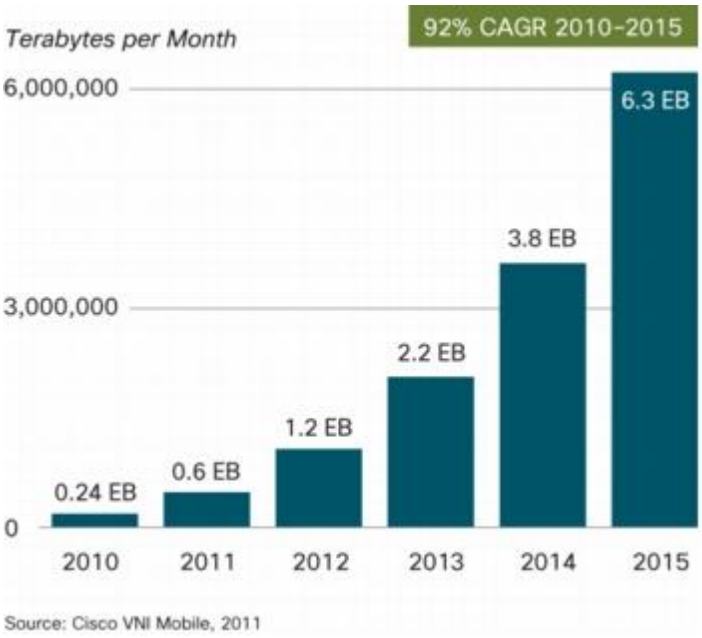


Figure 2. Here is that growth by region

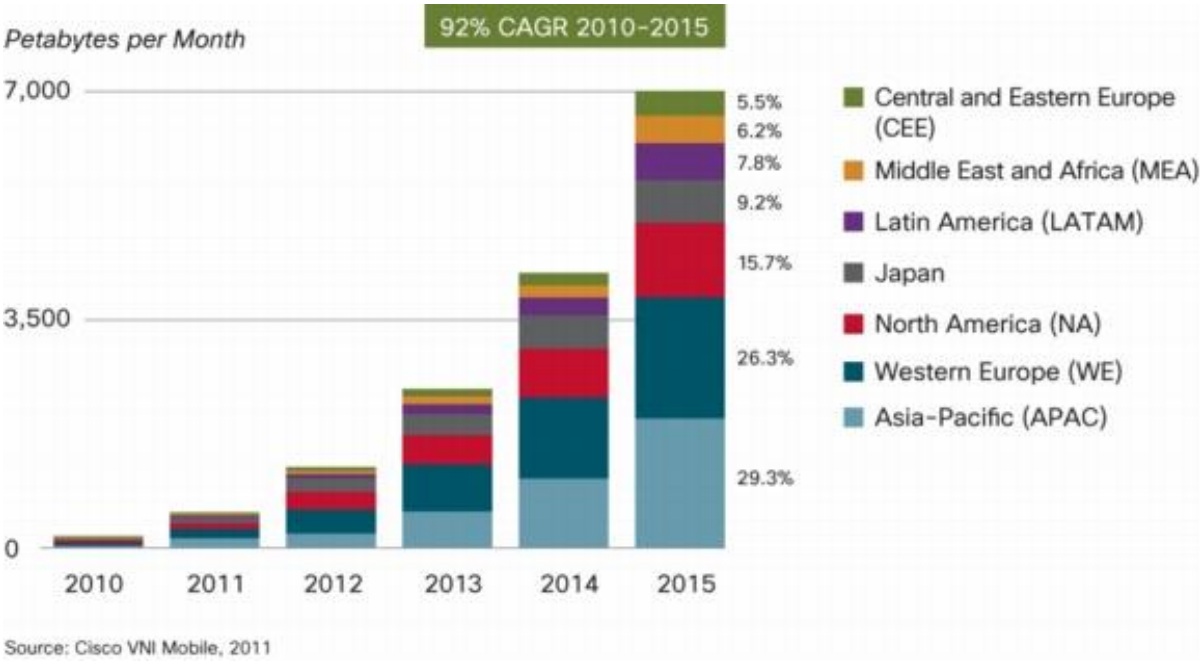


Figure 3. Here is that growth by device

Figure 3 shows the devices responsible for mobile data traffic growth. Laptops and netbooks will continue to generate a disproportionate amount of traffic, but new device categories such as M2M and tablets will begin to account for a significant portion of the traffic by 2015.

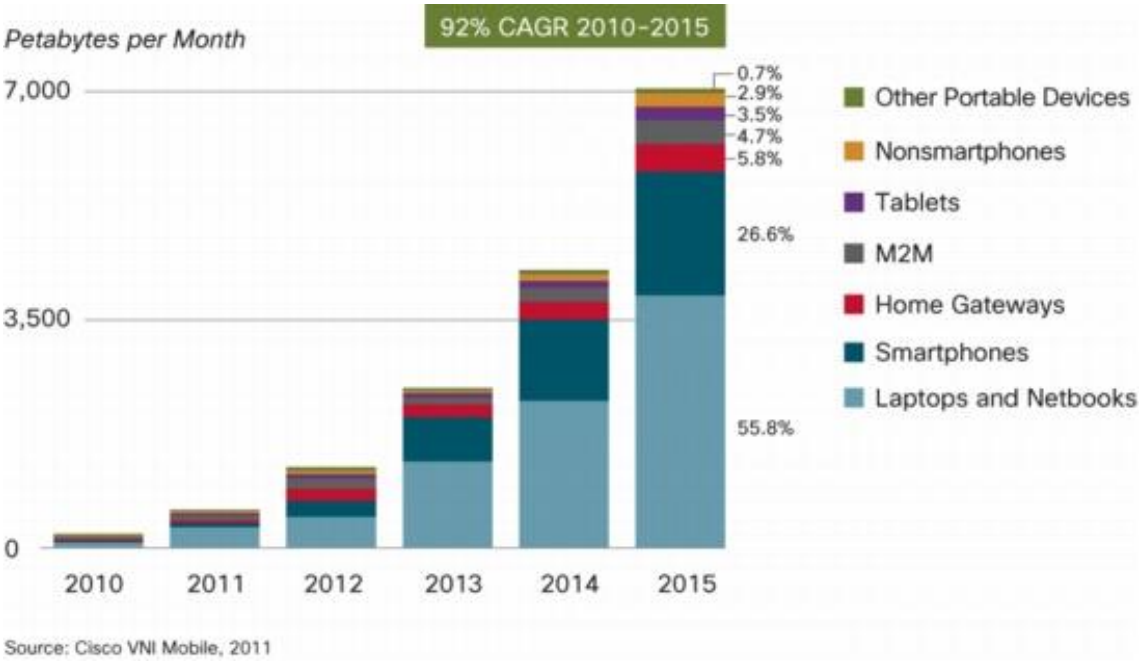
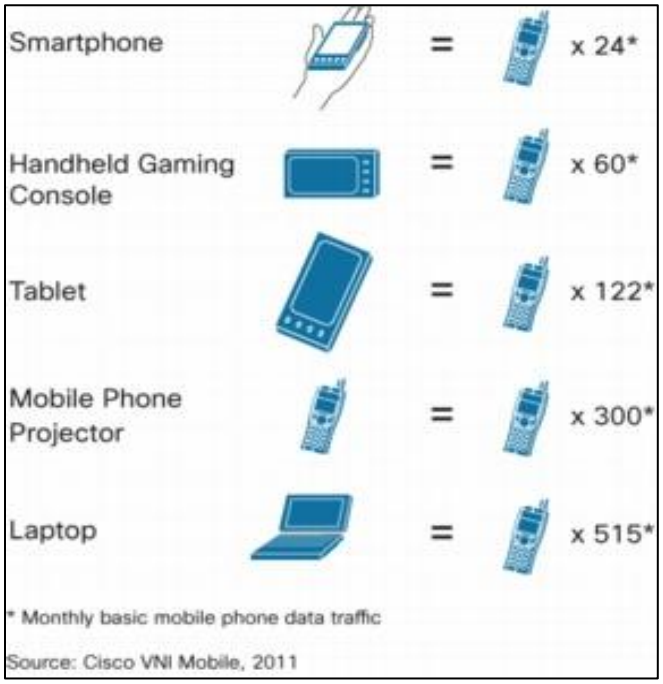


Figure 4. Traffic generated by high end devices



The introduction of laptops, tablets, and high-end handsets onto mobile networks is a major generator of traffic, because these devices offer the consumer content and applications not supported by the previous generation of mobile devices. As shown in Figure 4**, a single laptop can generate as much traffic as 515 basic-feature phones and a smartphone creates as much traffic as 24 basic-feature phones.**

Table 2. Summary of Per Device Usage Growth

Device Type	2009	2010	2015
Nonsmartphone	1.5	3.3	54
E-reader	5	11	245
Smartphone	35	79	1,272
Portable gaming console	Not available	250	879
Tablet	28	405	2,311
Laptop and netbook	1,145	1,708	6,522
M2M module	3	35	166

Source: Cisco VNI Mobile, 2011

The growth in usage per device outpaces the growth in the number of devices. As shown in Table 5, the growth rate of new-device mobile data traffic is 2 to 5 times greater than the growth rate of users.

Table 3. Comparison of Global Device Unit Growth and Global Mobile Data Traffic Growth

Device Type	Growth in Users, 2010-2015 CAGR	Growth in Mobile Data Traffic, 2010-2015 CAGR
Smartphone	24%	116%
Portable gaming console	79%	130%
Tablet	105%	190%
Laptop and netbook	42%	85%
M2M module	53%	109%

Source: Cisco VNI Mobile, 2011

The following are a few of the main promoters of growth in average usage (according to Cisco's research) beyond Social Media, Mobile Time Shift and Mobile Data Platform inflection points:

a. As mobile network connection speeds increase**, the average bit rate of content accessed through the mobile network will increase.** High-definition video will be more prevalent, and the proportion of streamed content as compared to side-loaded content is also expected to increase with average mobile network connection speed.

b. **As the battery life of mobile devices improves**, mobile minutes of use will increase. The amount of long-form video viewed on mobile devices will grow as battery life and processing power advances.

c. As mobile network capacity improves, **operators are more likely to offer mobile broadband packages comparable in price and speed to those of fixed broadband, thereby encouraging mobile broadband substitution**. The usage profile of substitution users is substantially higher than average.

d. The shift toward unicast from broadcast video will affect mobile networks as much as it will affect fixed networks. Internet radio (think Pandora or Spotify) and Internet video (think YouTube and Hulu and Netflix) are unicast, meaning that there is one data stream per user, unlike broadcast, where one stream serves many users. **The shift from broadcast to unicast means that traffic can increase dramatically even while the total amount of time spent watching video remains relatively constant.**

Don't Forget the (Mobile) Internet of Things: Another KEY Market and Mobile Internet Connectivity Driver for the VelaTel Networks

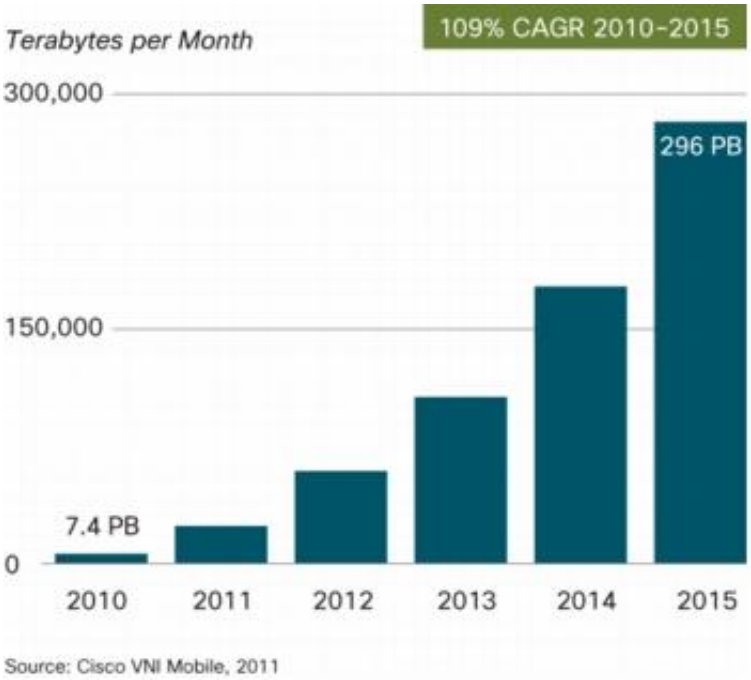
Business and consumer security and surveillance: Video streams such as commercial security M2M mobile connections are expanding globally, along with other mobile connections, due to the growing hardware and software components for smart meters, business and consumer surveillance, inventory management, and fleet management, all of which are designed for operational excellence.

As mobile data networks become ubiquitous in the enterprise, bandwidth-intensive M2M connections become more prevalent (Figure 7). Traditional devices, such as home appliances, vehicles, energy meters, and vending machines -- which traditionally have not been connected directly to cellular networks -- are now entering the network.

High-bandwidth scenarios for M2M are becoming real in many categories, including the following:

- Cameras, nannycams, petcams, etc., through mobile-enabled residential or commercial gateways, fall into this category. During the Shanghai World Expo 2010, 10,000 security cameras were installed on buses, trucks, and emergency vehicles. In normal circumstances, video is captured and uploaded when a Wi-Fi connection is available. When live monitoring is needed, video is transmitted over the mobile network at 2 frames per second. If each frame is 0.5 MB, then an hour of this video generates 3.6 GB. If half of these vehicles transmitted 1 hour of video over the course of a month, this would generate 18 petabytes of mobile data traffic, more that total global mobile data traffic in 2007.
- **Health care**: In the medical, well-being, and sports and fitness industries, devices and services used by medical personnel are being connected to reduce errors.
- **Inventory and fleet management**: Wi-Fi is being considered as an adjunct to cellular-based fleet management connectivity, to allow a vehicle to use cellular technology in the field, and support lower-cost, higher-speed Wi-Fi to download and upload data while in fleet headquarters and loading areas.
- **Telematics**: Trip assistance, navigation, and vehicle management are gaining greater consumer adoption, along with broadband-to-the-car offerings that use a cellular connection to the vehicle and then distribute the connection to notebook PCs and other devices within the vehicle through Wi-Fi.

Figure 5. *Machine-to-Machine Traffic to Increase 40-Fold between 2010 and 2015*



Source: Cisco VNI Mobile, 2011

Ubiquitous Mobility

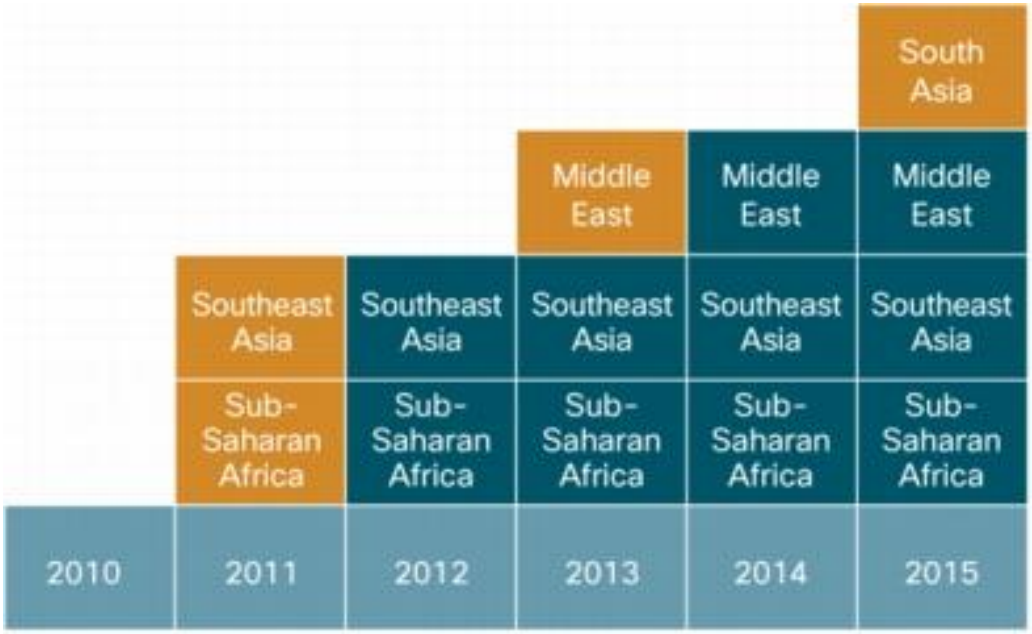
One of the most astonishing developments of the past few years has been the extension of mobile services even beyond the boundaries of the power grid.

Mobile phones are reaching every corner of the earth. There are already 32 countries where mobile data has broken the electricity barrier. By the end of 2011, this effect will be visible at the regional level, when the total number of mobile users in Sub-Saharan Africa and Southeast Asia exceeds the total on-grid population in those regions.

By the end of 2013, the number of mobile users in the Middle East will exceed the Middle Eastern on-grid population, and by 2015 the number of mobile users in South Asia (India and surrounding countries) will exceed the South Asian on-grid population.

Figure 6. *Mobile Access in 4 Major Regions Will Break the Electricity Barrier by 2015*

Figure 6 shows the regions in which the number of mobile subscribers exceeds the on-grid population, from 2009 through 2015. (Note: Regions are highlighted in orange the first year that the on-net population exceeds the on-grid population.)



Source: Cisco VNI Mobile, 2010

Based on Cisco analysis of data from the International Energy Agency, the UN Statistics Division, and Informa Telecoms and Media, 2011

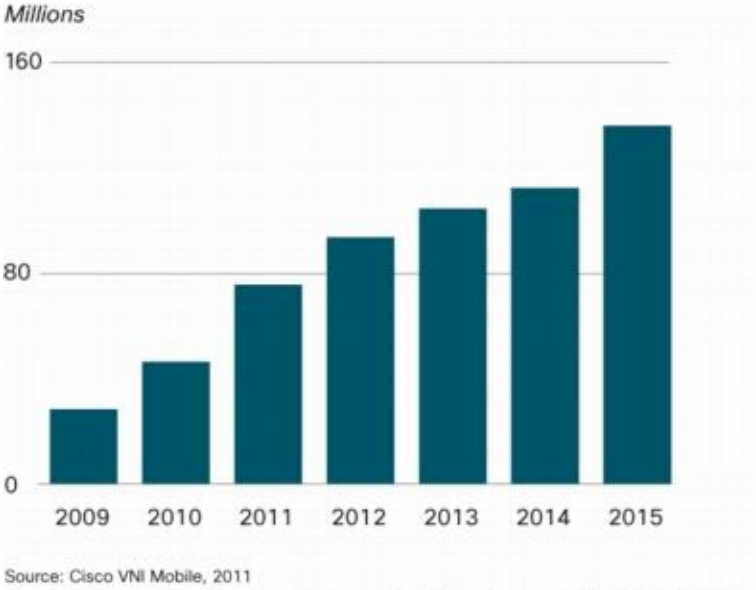
Selling a charge for a mobile phone -- from a bank of wired outlets or even an adapted car battery -- has become a cottage industry in many developing countries. Individuals, even those below the poverty line, are finding that mobile access increases their financial prospects, and are willing to go to great lengths to maintain access.

Operators and governments also have incentives to encourage off-grid access to mobile services. Operators are developing new, highly profitable business models that are attractive and affordable to the base of the global economic pyramid. **Governments and communities are finding that gross domestic product (GDP) and local economic growth appear to be correlated with mobile growth.**

The end result is that the off-grid, on-net population will reach 138 million by 2015 (Figure 9). The mobile network will break the electricity barrier in 4 major regions and more than 40 countries (including India, Indonesia, and Nigeria) by 2015.

"Breaking the electricity barrier" may be a short-lived phenomenon, since electricity access is likely to catch up to mobile access in the long term (perhaps even in response to the demand for mobile services), but it is nevertheless a testament to the socio-economic impact of network access that mobile has extended beyond the reach of the power grid.

Figure 7. *The Off-Grid, On-Net Population Will Reach 138 Million by 2015*



Source: Cisco VNI Mobile, 2011

Based on Cisco analysis of data from the International Energy Agency, the UN Statistics Division, and Informa Telecoms and Media, 2011

Further estimates and details are available in Appendix C.

NBT Take?

- Mobile data is well on its way to become a necessity. Mobile voice service is already considered a necessity by most, and mobile data, video, and TV services are fast becoming an essential part of consumers' lives.
- The inevitable ubiquitous ramp to an over-the-top ("OTT") wireless 4G broadband world to TV everywhere/Music everywhere/Real-time Gaming everywhere/Social Media everywhere digital lifestyle is already here and accelerating at an historic growth rate.
- The ONLY obstacle to the Everything Digital Everywhere lifestyle is affordable and ubiquitous 4G broadband mobility.VelaTel has positioned themselves in the sweet spot of broadband mobility in emerging markets and will accrue significant market share and tremendous value for its shareholders from its high-value/low-price model.

#7 Catalyst: The VelaTel Business and Marketing Strategy 2015: It's 100% Correlated and Leveraged to Everything Digital Everywhere Mobile Data Tsunami 2011-2015.

The VelaTel business model, consumer-value proposition and emerging-market network development focus is 100% correlated and leveraged to the 2,600% forecasted increase in global mobile data traffic circa 2011-2015.

Said another way: EVERY part of the VelaTel business, marketing and network development plan directly benefits from the following generally accepted Cisco global mobile data traffic growth research:

A) **Global mobile data traffic will increase 26-fold between 2010 and 2015**. Mobile data traffic will grow at a compound annual growth rate (CAGR) of 92 percent from 2010 to 2015, reaching 6.3 exabytes (that's a million terabytes) per month by 2015.

B) **There will be nearly one mobile device *per capita* by 2015**. There will be over 7.1 billion mobile-connected devices, including machine-to-machine (M2M) modules, in 2015—approximately equal to the world's population in 2015 (7.2 billion).

C) **Mobile network connection speeds will increase 10-fold by 2015**. The average mobile network connection speed (215 kbps in 2010) will grow at a compound annual growth rate of 60 percent, and will exceed 2.2 megabits per second (Mbps) in 2015.

D) **Two-thirds of the world's mobile data traffic will be video by 2015**. Mobile video will more than double every year between 2010 and 2015. Mobile video has the highest growth rate of any application category measured within the Cisco VNI forecast at this time.

E) **Mobile-connected tablets will generate as much traffic in 2015 as the entire global mobile network in 2010**. The amount of mobile data traffic generated by tablets in 2015 (248 petabytes per month) will be approximately equal to the total amount of global mobile data traffic in 2010 (242 petabytes per month). The same will be true of M2M traffic, which will reach 295 petabytes per month in 2015. (A petabyte is 1,000 terabytes.)

F) **The average smartphone will generate 1.3 GB of traffic per month in 2015**, a 16-fold increase over the 2010 average of 79 MB per month. Aggregate smartphone traffic in 2015 will be 47 times greater than it is today, with a CAGR of 116 percent.

G) **By 2015, over 800 million terabytes of mobile data traffic will be offloaded to the fixed network by means of dual-mode devices and femtocells**. Without dual-mode and femtocell offload of smartphone and tablet traffic, total mobile data traffic would reach 7.1 exabytes per month in 2015, growing at a CAGR of 95 percent.

H) **The Middle East and Africa will have the strongest mobile data traffic growth of any region at 129 percent CAGR**, followed by Latin America at 111 percent and Central and Eastern Europe at 102 percent.

I) **There will be 788 million mobile-only Internet users by 2015**. The mobile-only Internet population will grow 56-fold from 14 million at the end of 2010 to 788 million by the end of 2015.

J) **The mobile network will break the electricity barrier in more than 4 major regions by 2015**. By 2015, 4 major regions (Sub-Saharan Africa, Southeast Asia, South Asia, and the Middle East) and 40 countries (including India, Indonesia, and Nigeria) will have more people with mobile network access than with access to electricity at home. The off-grid, on-net population will reach 138 million by 2015.

There is NO other global green-field 4G mobile carrier company in the world currently better positioned in the greatest wealth creating transformation in history—worldwide broadband mobility.

#8 Catalyst: Virgin Mobile's Broadband2Go mobile data service plan is the best comp for VelaTel's 4G LTE mobile data network—except for ONE major difference: The VelaTel Network will be 10x-20x MORE Valuable.

VelaTel's LOWEST Cost Broadband Mobility service plan is like the Virgin Mobile data plan at 40%-60% DISCOUNT for developed markets...but the BIG difference is that UNLIKE Virgin Mobile (which leases mobile wireless data capacity from local carrier) ... VelaTel owns at least 50% of the network, too!

Here is sample of Virgin Mobile data plan in the United States:

- $10 for 10 Days: 100 MB of data, 5 hours of web browsing, 10K emails
- $20/month: 500MB of data, 24 hours web browsing, 50K emails
- $50/month: "Unlimited" data up to 2.5GB—AFTER you have used 2.5GB service —is limited to 256Kbps for the rest of the MONTH!

Speed varies based on location, with average downlink data speeds between 600 and 1400 Kbps.

The Devices That Make Delivery Possible

We've talked about a lot of facts and figures, and the potential reach is tremendous. But … how exactly will VelaTel connect these broadband-starved masses with the access they crave?

These three pieces of hardware will make it easy to jump onto a network from practically anywhere…

Plug-and-Play USB Device

Use the Ovation MC760 device to get 3G mobile broadband access on the go. Surf the web, check e-mail, download files, and more – all at lightning-fast speed. No contracts; only pay for what you need.

MiFi® 2200

Use the MiFi 2200 Mobile Hotspot to connect up to 5 Wi-Fi enabled devices to the 3G wireless Internet. No contract.

PEEL™ 3200 by ZTE Corp.

No more searching for Wi-Fi hotspots. The PEEL™ 3200 by ZTE provides a 3G connection for your iPod Touch®. Slip it on and access the Internet, e-mail, music, and more -- all at 3G speeds. One simple plan, no contract.

Why would you get an iPhone for $300 in China? BUY an iTouch and put a VelaTel ZTE Peel on its back with 4G networking

VelaTel vs. Virgin Mobile: No Contest for Consumer Value OR Shareholder Appreciation Potential

The VelaTel Broadband Mobility Plan in emerging markets is VASTLY superior to the highly successful Virgin Mobile Data Service in developed markets.

A) **VelaTel's Network Ownership Model is an ORDER of Magnitude More Valuable.** Virgin Mobile is a mobile virtual network operator. They lease wholesale bandwidth from a 3G or 4G wireless carriers and resell it to their customers. The valuation multiples for 4G network carrier ("Wireless Broadband Pipe Owner") vs. a "Wireless Broadband Pipe Renter" are an order of magnitude HIGHER.

B) **Universal Handsets that will soonwork on ANY 4G Spectrum.** Virgin Mobile 3G and 4G terminals are single spectrum/single mode—either 3G or Wi-Max standards that ONLY run on 2.5Ghz or

3.5Ghz spectrum. VelaTel base station equipment, handsets and terminals are based on a dual mode Wi-Max/TD-LTE operating system standards. From 700 MHz spectrum to 2.4-2.7 GHz and 3.4-3.7 GHz spectrum. When fully upgraded, VelaTel's 4G TD-LTE standard will support both the FDD and TDD interfaces through a single chipset -- i.e., without any additional cost.

C) **VelaTel 4G Network Speed up to 20X Faster**—with average downlink data speeds between 5Mbps and 12Mbps.

As other 4G networks appear in the VelaTel footprint, VelaTel's lowest cost of CAPEX/OPEX and low price service provider status will greatly assist in market share improvement in competitive regions.

For example, sales of Apple iPhones and iPads are exploding in China (Source: WSJ July 19 2011 Apple Eyes bigger slice of Chinese Market).

90% of iPhones and iPads are sold in China unlocked - ie with NO data plan.

When the TD-LTE versions come out in 2014, VelaTel will be waiting with a 10G data plan 40-60% LOWER in price than the competition.

Now think about Apple users in Peru, Eastern Europe and the other markets covered by the VelaTel Broadband Mobility Networks.

And our course soon MOST TV's will be internet connected and needing a data plan, too ☺

Bottom-line anytime a consumer can get 20X the speed for 40%-60% LOWER cost, they switch. Ask your kids if you don't believe us.

#9 Catalyst: The VelaTel/ZTE Technology Partnership Makes the Difference

ZTE—VelaTel's primary base station and network equipment provider—has worked very closely with CMCC and China Mobile Research Institute to ensure that ZTE 4G TD-LTE equipment works ALL across the spectrum—this is a major difference and advantage in the coming 4G global broadband mobility world.

This technology edge of course also comes with the unlimited 85% equipment financing facility accorded to VelaTel in the ZTE/VelaTel Global agreement from 2010.

Key Issue: According to NBT Research, in the very near future, ANY TD-LTE or FDD-LTE handset or terminal -- from ANY spectrum carrier … 700 MHz spectrum to 2.7 GHz and 3.6Ghz spectrum -- will work on a VelaTel network.

In other words, once upgraded VelaTel network customers will *own a TRUE universal handset or terminal.* Buy ONE VelaTel-branded tablet, handset, USB dongle or a netbook, and it will work on ANY 4G TD-LTE or FDD-LTE on any spectrum with a roaming agreement.

Contrast this to Virgin Mobile: When you buy a Virgin Mobile terminal, it only works on ONE carrier—Virgin—in ONE country or region. On ONE spectrum.

VelaTel 4G TD-LTE network customers will have MAJOR advantages in the coming 4G broadband mobility world:

#1 Lowest-cost handsets and terminals: Universal use means global manufacturing scope and scale. The more handsets and terminals made, the lower the price.

Fast forward to 2014-2015: NBT Research projects

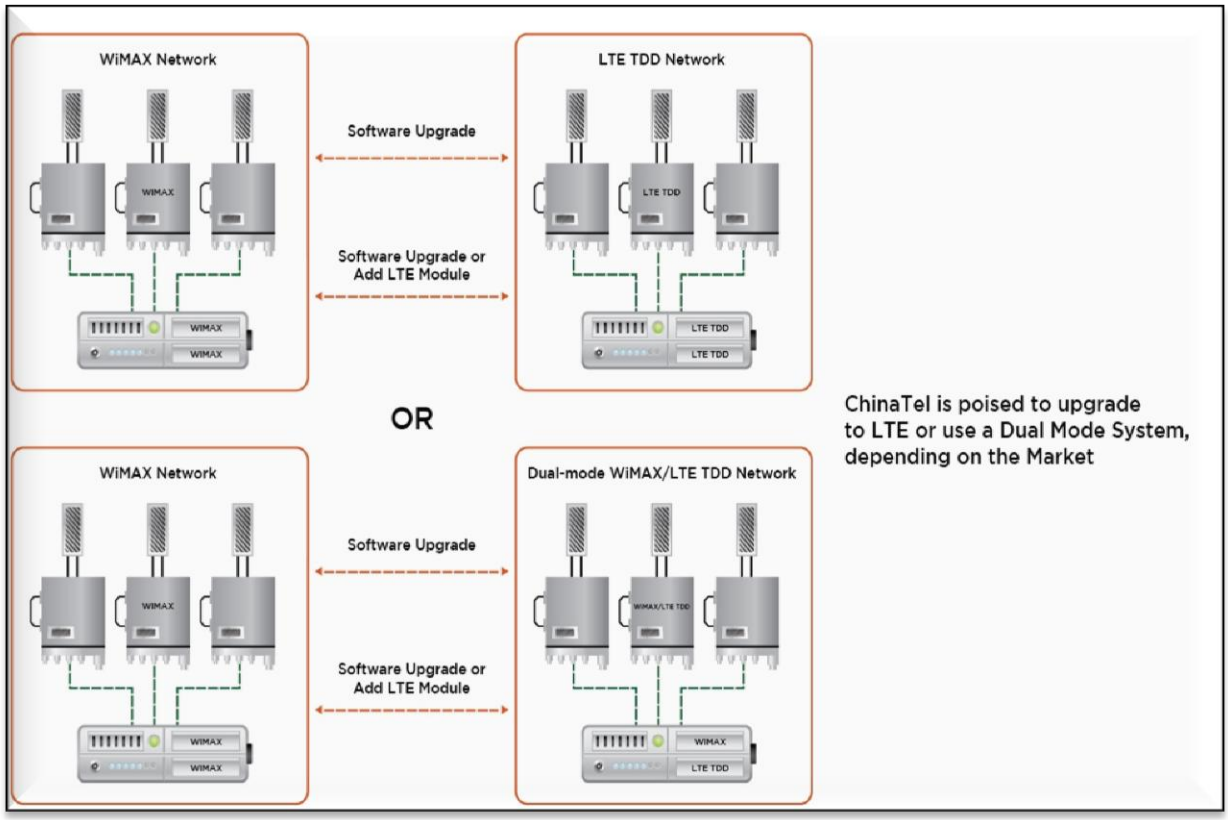
- $50 VelaTel Android tablets with TD-LTE service built in by VelaTel
- $20 dongles or MiFi cards (which allow up to 8 users to access your service) with 10 Gigabits of wireless broadband service
- $10 SIM cards or SIM slip covers that slip over your 40%+ MORE expensive 3G or 4G service

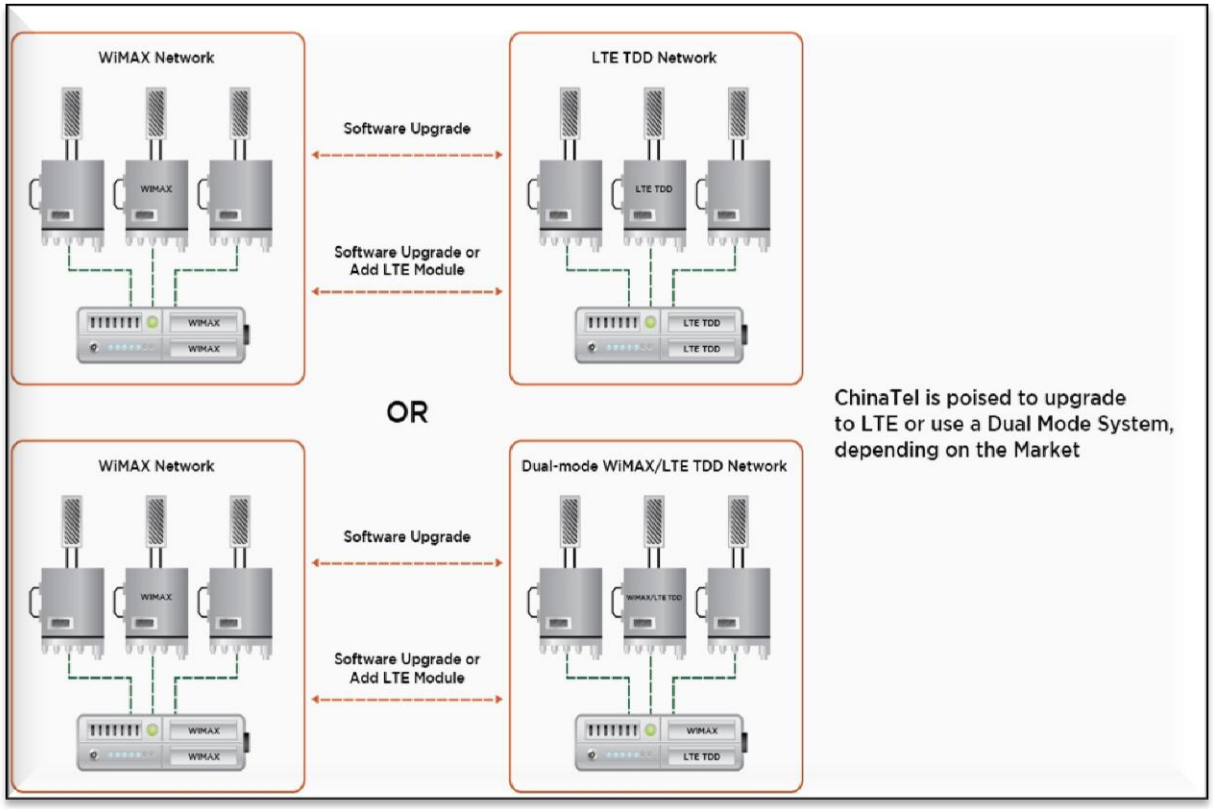
#2 Global roaming capability: ONE low cost 4G handset or data terminal (USB dongle, MiFi card, PCMIA card, tablet or handset) and you are technically able to use it on ANY 4G network on ANY spectrum—2.5Ghz to 3.5Ghz for 4G being the primary spectrum

Through ZTE, VelaTel's state-of-the-art TD-LTE and WiMax base station equipment has its 4G Upgrade to TD-LTE or Dual Mode (TDLTE and WiMax) pathway built into the network

All future VelaTel terminals and CPE's (customer premise equipment like wireless routers) will cover from 2.3 - 3.7 spectrum and thus become100% be technology agnostic.

This technology and spectrum agnostic capability has major implications for VelaTel's market share projections.





#10 Catalyst: The "Home Cloud" is rapidly coming … along with cloud-based "Mobile Operating Systems"… NOW that VelaTel $8-$12 broadband mobility is coming to emerging markets.

For 1.5 billion people, smartphone functionality is coming "from the cloud" to your $5 handset and $20 tablet. Both Alibaba and Baidu have announced server-based functionality to low-cost data enabled handsets and terminals.(Source WSJ July 5 2011)

In Chongqing, the Liangjiang International Cloud Computing Center is being built on 125 acres (scaling to 2,471 acres) for the world's largest cloud computing capacity center. (Source February 2011 Bloomberg BusinessWeek).

NBT has long forecast the emergence of "smartphone functionality" to "dumb phones and terminals (i.e. VERY low cost terminals). Plus the "home cloud"—a huge RAID storage device in your house plugged into mobile broadband service that stores ALL your favorite content for consumption via Wi-Fi on your own favorite digital device or TV.

The ONE missing piece to this vision?

AFFORDABLE (i.e., $8-$12 a month) broadband mobility services to low-income global households.

With VelaTel mobile broadband service packages available in China and the world, this vision is NOW complete. NBT expects to see a massive push to Home Cloud systems in the emerging markets…the economics are incredibly compelling.

On the Alibaba or Baidu cloud services, VelaTel subscribers would subscribe to apps like Voice over LTE (VoLTE), video calling, ecommerce shopping, gaming you name it from branded applications over-the-top of the VelaTel 4G network.

Actually, it would make perfect sense for Alibaba or Baidu to provide FREE VelaTel service to promote their services…or FREE with advertising.

These new OTT (over-the-top, of broadband pipe) services will have NEW business models driven by advertising, e-commerce, social commerce or all three.

OTT Is the Future…And A Future Headache for VelaTel Competitors

So-called "Over The Top" Internet-driven video services are causing bandwidth problems for telcos and IPTV services.

Austin-Tx-based IMS Research estimates bandwidth use for telcos and IPTV services was at 44% capacity at the end of 2010. This will move up to 50% between 2010 and 2015.

Growing OTT services -- video services that use an Internet/fiber-optic connection -- will total $32 billion in revenues over the next five years, and will be a major feature of IPTV services for pay TV content.

"What we have now is a situation where the telcos are actively seeking solutions to optimize bandwidth," says analyst John Kendall in a release. "OTT is here to stay, and the telcos have accepted that."

Paul Erickson, analyst with IMS Research's Consumer Electronics Group, adds: "These new devices are forecast to supplant game consoles as the dominant OTT video client over the next few years."

IMS Research warns that bandwidth congestion challenges are greater in countries with lower broadband penetration. IMS Research expects Eastern European and Latin American DSL providers to struggle acutely with video-generated congestion issues.

One key example: In 2010, France had peak potential bandwidth demand at just over 37% of network capacity. But it will rise to nearly 60% by 2015, mainly due to OTT and multiscreen video.

NBT Take: OTT services are really the driver of "SinglePlay" for Velatel…you get their wireless broadband pipe to your wireless router or Home Cloud and 8 digital devices hook up…

THEN you have Voice over LTE, Video over LTE, Real time Gaming Over LTE ….

In $8-$10 10G service segments…

And VelaTel will of course market its OWN branded Voice Over LTE, video calling, e-commerce shopping, and gaming applications over-the-top of the VelaTel 4G network as well.

Bottom line: In emerging markets VelaTel's $8-$12 a month wireless broadband access services ARE the key enabling technology to the Home Cloud and cloud-based Mobile Operating Systems and affordable OTT applications.

Another HUGE value-add for VelaTel Networks.

#11 Catalyst: VelaTel's "SinglePlay" Technology/Spectrum Agnostic TD-LTE Platform ENSURES very high market-share capture in its emerging-market networks.

Think about the developed world for broadband. Consumers are making a choice—and broadband is becoming more central to their lives than TV, their wireless phone…and increasingly cable service.

Already in the developed world, we have Time Warner Cable's CEO Glenn Britt saying his company is focusing on broadband-only customers as broadband replaces TV as their anchor product. (Source WSJ June 2, 2011)

In the developed world, average cable + broadband + phone bill packages are already pricing the lower income segment of the market out of the "triple play" deals. Lower-income customers are choosing broadband ONLY from their cable operator and pre-paid mobile from a low-cost mobile provider.

First think of the VelaTel Networks customer base—90% lower- to middle-income consumers. And think about this: When EVERYTHING is over an IP network (Internet Protocol) VOICE is just an application.

Now think of the VelaTel Networks delivering $8-$12 a month mobile broadband to a customer's home cloud or Mi-Fi router; up to 8 digital devices will be on a 5 Mps-10Mps 4G wireless data network.

Households will be able to connect a desktop PC, laptop PC, netbook, tablet, eReader, Internet-enabled TV, and smartphone handsets to their VelaTel account. When the 10-gigabit data plan is getting nearly used up, the family adds another 10 gigabits via pre-paid card, credit or debit card.

With Voice-Over-Internet Protocol service (think Skype or Tango) and the Voice Over LTE on its way (VoLTE), VelaTel can provide OTT (over-the-top of their network) voice-to-mobile handsets and bluetooth headsets for $2-$5 additional a month.

The result of the Voice Telephony/TV/Internet/Music/Gaming/Social Media service over ONE SinglePlay mobile wireless pipe?

BYE BYE expensive mobile service. Bye Bye Cable. Bye Bye land line telephone service.

Hello VelaTel SinglePlay broadband mobility service. THIS IS the future for emerging markets within the VelaTel Networks footprint: ONE mobile broadband pipe and ALL the services you get from other providers aggregated onto ONE SINGLEPLAY service.

This is the very near term future—in fact the OTT services are already here. Think of the Magic Jack VOIP service in the U.S. -- $19.95 a YEAR for unlimited local and long-distance calling. Now think of Magic Jack as a key VelaTel application … and/or an application from a third-party sold over the top of the VelaTel Network wireless pipe in China, India, Russia, Peru, etc.

International voice and video calling reselling Skype. Video downloads reselling Netflix or Hulu at $1 a movie. Real-time gaming channels. Unlimited Facebook/Twitter and social media plans (with the same type of plan in China via Weibo and other China social media) with plans starting at $5 a month.

That is the VelaTel "SinglePlay" value proposition to an emerging world consumer: broadband services they can AFFORD in ANY household with over $500-$750 a month of income. With every content or social media or gaming or voice service they desire OVER THE TOP of the VelaTel Network wireless broadband access pipe.

How many consumers fit into the $8-$12 monthly SinglePlay broadband mobility demographic in the emerging-market world?

Just a little less than a billion. NOT including India.

The Buyout Value of VelaTel's SinglePlay Emerging Markets 4G Network?

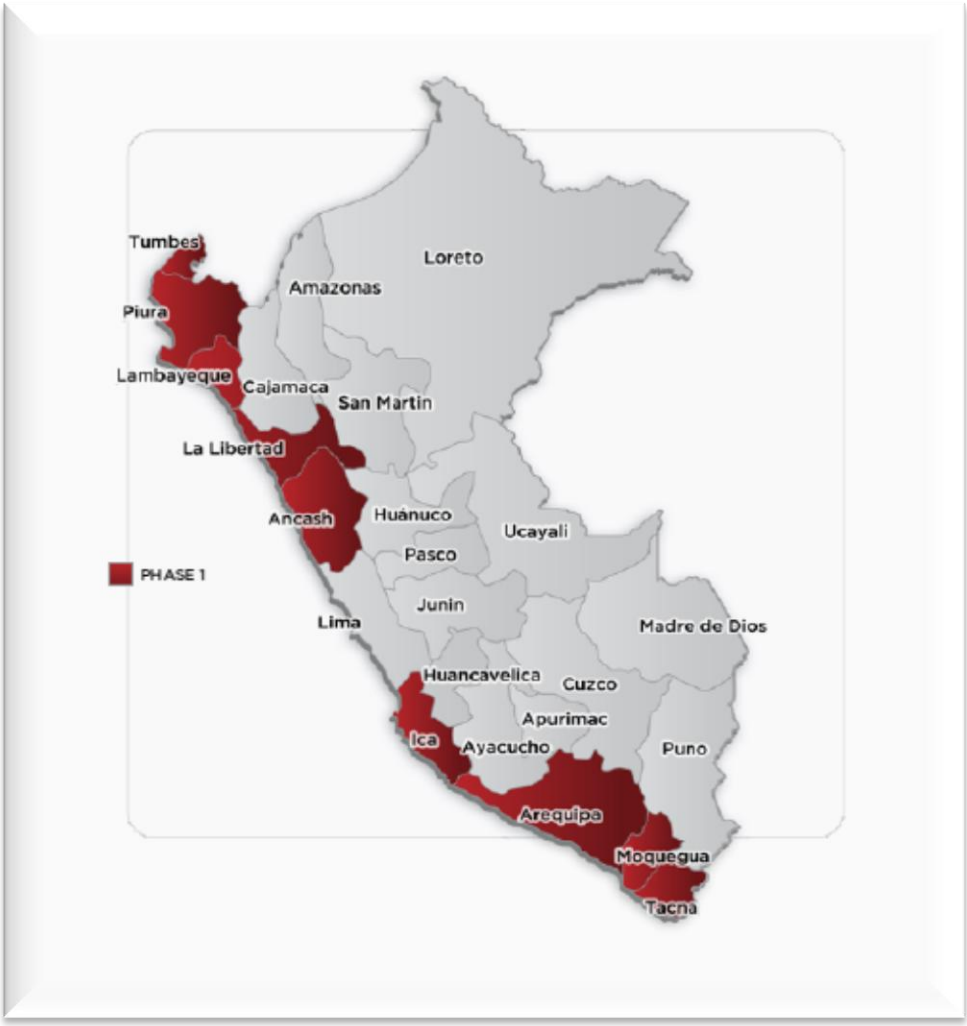
It's enormous, according to Frost & Sullivan in their June 2011report on VelaTel .

All of this positions "VelaTel as a "company to watch" in the sector. By planting flags in the ground around the world and acquiring revenue-generating subscribers, **VelaTel's value is sure to increase almost exponentially.**

Recently in an interview, Ahmed Julfar, COO of mega-carrier Etisalat (which operates in 18 countries) predicted further consolidation in the market over the next several years, in a market that has seen the rise of mega-service providers that acquire and integrate existing businesses and networks like NTT, Vodafone, Verizon, AT&T, etc."

PHASE 1

Trujillo
Ica
Piura
Chiclayo
Chimbote
Cusco
Arequipa



#12 Catalyst: VelaTel Stock Repurchase Trust and VelaTel 2015 Fund LP: Removing 80%-90% of the Outstanding Share overhang facilitating the Up-Listing to the Nasdaq BX-Venture Market by end of 2011.

By just eliminating the word "China" from its corporate name, VelaTel will get itself out of the "sell it -- it's a toxic China stock" box.

But our affiliate NBT Capital Markets LLC is addressing two capital structure and shares outstanding issues that significantly and negatively impact the public share price beyond the legacy name ChinaTel Group, Inc.: VelaTel's

- @125,000,000 share outstand free trading float
- The OTCQB Market Listing

With 544,000,000 shares currently outstanding (non-diluted NBT estimate), NBT and VelaTel estimate about 125,000,000 million shares in the free- trading float. The rest of the shares are controlled by:

1) VelaTel founders and associates/friends and family
2) the equity capital provider Isaac Group (who has to date purchased over $30MM in new shares in VelaTel to fund equity capital needs and the $500k burn rate) with @107,000,000 shares
3) NBT Equity Group founders and affiliates

Including the 45,000,000 shares owed to the management company of the GBNC, the 5,000,000 shares owed to VN Tech, the 75,000,000 shares relating to the 2011 Stock Option and Incentive Plan and **NBT estimates the fully diluted share count today at 775,000,000.**

We are not estimating shares yet to be issued in connection with the new $50 million funding plan from Isaac's Second A&R SPA, as well as shares issuable upon exercise of the additional relevant warrants.

Our estimate is VelaTel will need $25MM in additional capital and Isaacs cost basis will be .50 a share or another 50MM shares of dilution.

The VelaTel Opportunity and Imperative to Increase its Stock Price

The extremely low public company valuation of the VelaTel carrier and fiber-network assets vs. private market values estimated by NBT creates a very unique and compelling opportunity to initiate a major stock buyback program for VelaTel.

Since the Isaac Stock Purchase Agreement going forward is based on 20-day average price of VelaTel A shares, it is significantly to the advantage of existing shareholders (dilution wise) to have the new shares purchased by the Isaac SPA more reflect the private company sum-of-the-parts valuation NBT estimates vs. the depressed public share price.

New Isaac SPA funds could be used for stock repurchase but since a higher price for the VelaTel stock would not benefit the Isaac Group in the short run, NBT proposes a different funding mechanism for this opportunistic stock buyback program.

NBT is in the process of presenting a VelaTel 2011-2012 Stock Repurchase Trust plan to the Board. The goal of the Stock Repurchase Trust would be to:

- Acquire up to 110 M shares of VelaTel stock in the trust
- Acquire those shares in the open market via a trading desk facility
- Lock-up those shares for a minimum two year period OR when a 200% return for 30-days trading over the average cost basis of the Trust's open market acquisition cost basis is achieved

For ANY publicly traded stock for an emerging growth company the OPTIMAL public float would be 8-15 million shares.

By reducing the shares in the float, NBT forecasts significant upside for the VelaTel price-per share as the relative scarcity of shares would significantly MULTIPLY the positive effect of the dozen or more expected catalyst events we and VelaTel forecast for the coming 6-12 months.

Features of the NBT 2011-2012 Stock Repurchase Trust ("Starlight Trust) for the investors

1) **High Yield Bond Return:** VelaTel would guarantee the Stock Repurchase Trust an annual high yield bond return of between 11-12.5% payable in cash or shares on semi-annual basis for the life of the trust.

2) **24 month Lock-up Period:** unless a 200% return for 30-days trading over the average cost basis of the Trust's open market acquisition cost basis is achieved

3) The Trust Managing Partner would secure one board seat

4) **Shares would be held in JP Morgan trust account—**locked up until 2 years or 200% returns whatever comes first.

VelaTel Stock Repurchase Trust LLC Funding Plan

We are in the process of presenting VelaTel Board a fairly simple plan:

- NBT Capital Markets LLC (an affiliate of NBT Equity Group, Inc.) would arrange a Perpetual Preferred equity transaction for VelaTel to seed the Stock Repurchase Trust @$5M with a leading Family Office investor. NBT is currently in the process of securing a term sheet for this facility
- VelaTel's $5M contribution (less transaction costs of @ 8%) would purchase Series A units in the trust. Upon release, the shares purchased with those funds would be retired by VelaTel as capital stock OR used to fund stock option plans
- NBT Capital Markets would directly engage activist and opportunistic institutional investors, family offices and hedge/private equity funds to participate in a Series B unit ($500k minimum)
- NBT Capital Markets would arrange to engage leading late-stage venture capital broker dealer/placement agents on a best efforts basis to raise additional funds from retail investors
- NBT's sponsored Special Purpose Vehicle VelaTel 2015 Fund LP would contribute approximately 10,000,000 VelaTel shares to the Stock Buyback trust

With VelaTel Board approval, NBT Capital Markets LLC will proceed forthwith to complete the funding of the VelaTel Stock Repurchase Trust LLC as quickly as possible to complete funding and share acquisition BEFORE the end of the 2011.

With 2M share trading average in the VelaTel stock, we would expect 90-120 days to acquire the amount of shares necessary to reduce the free float to an advantageous level.

Nasdaq BX Venture Market Exchange Up-Listing

VelaTel's OTCQB listing is a significant hindrance to VelaTel shareholding from institutional technology and telco/internet investment funds and money managers.

Most institutional investment funds are precluded from owning shares listed on the OTC. Many are precluded from owning shares that trade for less than $5 a share.

For retail investors, many broker dealers don't allow trading in OTCQB listed stocks as well.

With the introduction of the BX Venture exchange later this year, NTB has worked with leading experts and consultants to expedite the up-listing of VelaTel shares onto this new prestigious trading exchange and platform. http://www.bxventure.com/

Uplisting Brings $100 Billion of Potential Investment Capital

A big part of the VelaTel Stock Buy Back Trust LLC value creation strategy is to remove short term and disgruntled long time shareholders to reduce the sales pressure and mostly illegal naked short selling in the stock. Upgrading from the OTC trading platform to the BX Venture exchange is the first up list strategy.

AFTER VelaTel has reached positive EBITDA cash flow, NBT assumes VelaTel management will approve any and all actions (reverse stock splits, additional board members, etc.) to be listing on the full National Nasdaq listing.

Summary: Eliminating the Sum-of-the-Parts Public Stock Valuation Discount: 14 Major Stock Price Catalysts Over the next 180-270 Days

With completion of the VelaTel Stock Buy Back Plan 2011-2012 a significant amount of the negative catalysts would be removed from the stock over the next 6-9 months as in eliminating:

1) 125MM free trading overhang
2) The 50% Toxic China RTO (reverse takeover/merger) Discount
3) The OTC Development stage/zero revenue discount

4) OTCQB listing discount

In addition, with major news and event catalysts coming into the stock over the next 6-9 months

5) Initial sales and revenues from PeruSat Aug 1
6) 3 additional Eastern European 4G networks with 2 currently operational
7) First two GBNC cities deployed and operational by December
8) Five 100% consolidating revenue generating carrier subsidiaries by year-end
9) Positive EBITDA Cash Flow From Operations Q2-Q4 2012
10) At least 3 Additional Eastern European National Carrier network deals completed in 2012
11) 7 Additional GBNC City Deployments
12) 14,000 km of Sino Crossing fiber network "lit" and in full operation
13) "Fish or cut bait "clarity on Chinacomm Ltd 12 City Deployment Joint Venture (ie. control or no control and keeping the JV to 12 cities only)
14) VERY strong likelihood of a major 4G network development deal in Russia, there is more than enough

There are more than enough positive news and event catalysts and negative issue removals to get the public company discount OUT of the VelaTel valuation.

In case you have already forgot OUR Discounted Cash Flow valuation model, the summary is available here:

http://www.slideshare.net/NBTequitiesresearch/nbt-equities-research-velatel-global-communications-valuation-model

The Company

VelaTel Global Communications, Inc., founded in May 2008, is a holding company of telecommunications carriers throughout the world. The Company currently holds investments in four carrier units; Sino Crossings, Golden Bridge Network Communications, (GBNC), Perusat, and Chinacomm Communications.

The Company's business model is to combine its engineering and deployment expertise, its equity funding relationship, its vendor partnership, and spectrum, fiber and concession rights assets acquired through subsidiary or joint venture relationships, to create and operate complete networks worldwide.

VelaTel's present operational focus is on the deployment of telecommunications networks that utilize Wireless Broadband Access (WBA) in emerging international markets using either 2.5 GHz or 3.5 GHz radio frequency spectrum.

In addition to its current markets in People's Republic of China (PRC) and Peru, VelaTel is investigating opportunities to enter other markets including Eastern Europe, Russia, India, Singapore, the Philippines, countries in the Caribbean Islands and Southern Pacific Islands, and countries in the Middle East and North Africa.**Sino Crossings Ltd.**

Through its holdings in Sino Crossings, VelaTel controls approximately 34,000km of installed but unimproved ("dark") fiber optic cable that extends between most PRC metropolitan areas ("Backbone Fiber"), in addition to the right to test and purchase additional dark fiber that encircles many of the same metropolitan areas ("Metro Ring Fiber"). VelaTel controls 51% ownership of Sino Crossings, with majority control of the board, and will consolidate 100% of the revenue and other financial activity of this partnership. VelaTel will finance the purchase and installation of all infrastructure equipment that will make the Backbone Fiber suitable for transmission of data ("lit"). In Phase 1, VelaTel will light 14,000km of dark Backbone Fiber in South East China.

Golden Bridge Communications Network (GBNC)

VelaTel's Sino Crossings holdings compliments its holdings in Golden Bridge Communications Network (GBNC), which has wireless broadband access (WBA) licenses in the 3.5GHz and 5.8 GHz bandwidth for 9 cities within the Fujian Province in China.

The combined effect of the Sino Crossing and GBNC holdings gives VelaTel control over the entire network including both national transport and last mile solutions. VelaTel has 49% ownership of the GBNC joint venture, with majority control of the board, which allows VelaTel to consolidate 100% of the financial activity of this partnership.

VelaTel will finance all capital and operations expenditures needed to complete the network. GBNC has the right to submit applications to obtain additional WBA licenses in cities and regions nationwide throughout the PRC. GBNC also holds licenses to act as an internet service provider (ISP) in 26 cities and regions in China, and the right to apply for ISP licenses in additional cities and regions nationwide.

The licenses GBNC holds or has the right to obtain will enable the joint venture to have a dominant position within the business of delivering WBA and ISP services in China.

Through its holdings of 95% of the equity of Perusat, S.A., a Peruvian telecommunications company supplying voice-over IP (VoIP) telephony, VelaTel controls 2.5 GHz spectrum licenses covering eight cities in Peru. As a 95% controlled subsidiary, VelaTel controls Perusat's board of directors, and consolidates 100% of the financial activity of this subsidiary. VelaTel will finance all capital and operations expenditures. The first phase of deployment includes geographic coverage in the cities of Trujillo, Ica, Piura, Chiclayo, Chimbote, Cusco, and Arequipa.

Through its option to purchase up to 49% holdings in Chinacomm Communications, VelaTel participates in the deployment of wireless broadband networks in 12 PRC cities where Chinacomm holds WBA licenses in the 3.5 GHz bandwidth. Chinacomm is currently concentrating its deployment efforts in Beijing and Shanghai.

SINO Crossing Ltd. Update

VelaTel CEO George Alvarez reports that their fiber optic network subsidiary Sino Crossing Ltd. is now on track for 14k of fiber networking being "lit" (up from 9k initially reported) and operational by the fourth quarter in China.

As previously reported by VelaTel, ZTE is providing the entire fiber-optic networking equipment for Sino Crossing with the same 85% vendor-financing deal. VelaTel has already paid the cash deposit for the 14k of fiber optic equipment.

VelaTel is already in negotiations for wholesale backhaul deals to sell unused capacity to major telcos and data networks. NBT expects MANY of these deals with the 10,000% explosion in consumer data consumption reported in China as video over the Internet explodes in China as in the rest of the world.

Again … the BIG value here is by OWNING (not renting) its own data backhaul network. VelaTel and its partner Golden Bridge Networks avoid backhaul fees that consume about 25-35% of revenue from wireless broadband access plan revenues.

This means that ALL that revenue that WOULD go to competitor China Telecom NOW goes to VelaTel via its Sino Crossing subsidiary.

And because they control the company, 100% of that revenue NOW will be consolidated onto the income state of VelaTel.

Voice over Data Networks in China

Also understand that Voice-Over-LTE (VoLTE) and Voice-Over-Internet Protocol (VOIP) is very small part of the data world in China. Skype is resold as a service by a national ISP network.

Because Golden Bridge Communications Network and VelaTel own ISP licenses in the top 26 China cities AND VelaTel will soon have the backhaul data network needed to provide VLTE or VOIP services, EXPECT to see VelaTel provide a VERY competitive VOICE application to consumers in China.

You've no doubt seen the "Magic Jack" ads in the USA -- $19.95 for local and long distance for a YEAR. That is VOIP … and, believe it or not, Magic Jack makes a LOT of money on that deal.

We expect a similar deal from Golden Bridge and VelaTel in China … ALL over China. **One billion Chinese who talk a LOT on the phone and are VERY thrifty is a magic market to go after.**

Golden Bridge Network's dual-band Wi-Max/TD-LTE network on track to launch in Q4. VelaTel is entering its purchase order for equipment over the next few weeks. They expect the first batch of dual-band Wi-Max/TD-LTE base stations 2-3 weeks after order.

The cash part of the order is already funded … and ZTE will, as per their agreement, provide 85% vendor financing (5% over five years) for the balance of equipment.

The first two cities in GBNC have 100% equipment bought and paid for and in final deployment.

CECT-Chinacomm Network Negotiations

CECT-Chinacomm's Chinacomm Network operations schedule is still unconfirmed. They are concentrated in Beijing, Shanghai and Shenzhen.

VelaTel is still negotiating a final deal for their 49% interest in the network. Alvarez reports no significant progress on a mutually suitable agreement to completing the 49% acquisition deal for the network.

East European Network Deals

From the eight country Letter of Intent (LOI) deals in Eastern Europe reported earlier by VelaTel -- Georgia, Kazakhstan, , Croatia, Macedonia, Serbia, Montenegro and Russia -- all are moving ahead.

CEO Alvarez reports they are confident they will close three of the existing LOIs into full contracts by August and still have 5 additional countries under significant due diligence and negotiations.

Two of the three countries to close have existing WiMax operating networks with full Network Operation Centers (NOCs) and data centers.

NBT has created a pro-forma on these separate deals based on capital and operating expenses (CAPEX and OPEX) supplied by VelaTel and ZTE and population penetration assumptions that are normal in the data network industry.

NBT calculations come to over $1.3 billion in network value, assuming all 8 countries are built and operated. This is assuming 75% ownership by VelaTel, 25% by spectrum owners and 24% in equity dilution for equity contribution via strategic or telcom investors.

Russian Data Network

VelaTel reports working on 3 different term sheets being negotiated with 3 different groups. Russia's 4 mobile networks have consolidated their 4G plans onto ONE green-field 4G carrier – Yota -- and it is NBT's and others' analysis that their 4G networks are NOT going to be able to handle all that data traffic.

That opens a BIG opportunity for a green-field 4G data network that can be built at the low costs of the VelaTel/ZTE type.

Peru Network

According to Alvarez, VelaTel has created its own tablets (10" and 7" Android 3.0) for their PeruSat network as previously disclosed in their recent interview series with NBT in early May.

They have also developed their OWN VelaTel branded Customer Premises Equipment (indoor, outdoor), USB dongles, MiFi cards, and netbooks with Wi-Fi/WiMAX chipsets ALL from their design and production teams in Taiwan.

As they have reported in a recent interview with Frost and Sullivan, they will have a very broad assortment of equipment from ZTE and Taiwan for the August launch in Peru.

NBT Valuation

We've created a valuation model for VelaTel, both consolidated and broken down to look individually at scenarios through 2015 for the Chinacomm, Perusat, Golden Bridge, Sino Crossing and its planned Eastern European networks.

Click on this link to view this presentation and access our in-depth analysis.

Bottom Line: With VERY conservative numbers NBT gets a $3-$4.25 per share valuation. Build out Russia …and include all 60 cities of the Golden Bridge network…and 29 with Chinacomm…and you add another $2-$3 per share in enterprise value.

We continue to see this as one of the most-compelling risk/reward opportunities in our NBT universe.

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