Memorandum Outlining USCL Contract Concerns
March 09, 2006

1. General concerns with the Kaifa Master Agreement have been addressed in the Agreement as submitted by Kaifa in Red and blue comments and strike outs. We are still in the process of reviewing this and may have further changes but we feel the important issues have been captured for discussion and mutual negotiations.
2. USCL realizes that Kaifa's fundamental concern is the degree to which USCL will perform with regard to meeting sales quotas. This can be addressed by adding performance requirements in terms of number of meters to be purchased by USCL on an annual and then quarterly basis. If these performance quotas are not met, USCL will lose its exclusive rights to sell the products in North America.
3. USCL's shareholder/investors and Board of Directors principal concerns are as follows:

- USCL will be required to invest a substantial amount of money; i. e., several million USDs, to ramp up staff, sales, marketing, and support issues and build the U. S. market channel. Additional money will be put at risk to finance order cash flow cycles. This will take both time and money. A one year contract does not provide enough time to build the infrastructure. USCL requires a 4 year contract (with agreed to performance requirements in terms of sales volume.)
- USCL has invested a great deal of money to date in the sales and marketing areas as well as the development of the EMS-2020 system, its acquisition of the SUM meter technology as developed by the Sacramento Municipal Utilities District in conjunction with the United States Department of Defense Micro Electronic Activities group, and over three years of working with Southern California Edison leading to the current SCE plan and requirements. This has resulted in USCL proprietary knowledge, IP, and know how, much of which is embodied in the meter requirements specification currently being completed by USCL and Dr. Victor Kolesnichenko. USCL must protect its interest in this asset and be assured that it will not inadvertently generate competition with itself.
- USCL notes that USCL's involvement with the project will greatly reduce the time and cost to market in the United States by Kaifa. USCL further notes that it will be assuming the risks associated with hiring sales, marketing, application engineering, service and support staff in the U. S. USCL notes that it is assuming the risk associated with projecting the future needs of the market.
- USCL realizes that Kaifa must invest money in terms of NRI, etc. to complete the design based on USCL IP and know how. USCL suggests that it pay for this NRI over the course of the contract. USCL is excited about the prospect of a partnership or joint venture with Kaifa because Kaifa has the demonstrated ability to produce meters in high volume and has the financial resources to meet and exceed any due diligence requirements imposed by utilities in the sales cycle. However, USCL also realizes that there are other approaches with a different set of risk and reward factors such as the engagement of Dr. Kolesnichenko to design the USCL EnergyCite meter and have it produced by an OEM manufacturer in or out of China as an example.

With the above in mind and in conjunction with the attached marked up Master Agreement, USCL wishes to work closely with the Kaifa team on the 14 and 15 March to address the above issues and come to a mutually satisfactory agreement.

Thereafter, the next step will be the further engagement of Dr. Kolesnichenko and a detailed technical review as well as an ANSI training session at the ShenZhen Kaifa facility in early April which USCL (Tom Tamarkin) will attend as well.

Respectfully submitted,

Tom Tamarkin

Tom Tamarkin
USCL Corporation

Attachments: Marked up Contract for mutual review

CC: Kaifa meter team
USCL Board of Directors
Wellspring Wireless CEO