

Wasion Meters Group Limited & USCL Chronology of Events

USCL began working with Southern California Edison in the spring of 2002 as a result of an introduction made by Prakash Menon of Covansys Systems.

In April 2003 Tom and Emily Tamarkin were introduced to ShenZhen Kaifa Technologies, Ltd. Senior representatives by Chuck Sathrum. Over the course of the following two and one half years, USCL and Kaifa remained in communications and reviewed various aspects of the emerging market in the United States for advanced metering and meters.

In 2004 the California Public Utility Commission (CPUC) began the process of mandating the deployment of AMI (Advanced Metering Infrastructure) by the State's three investor owned utilities.

In October 2004 Southern California Edison (SCE) filed a very negative business case with the CPUC and went on public record stating that AMR (AMI) was not economically viable and that SCE had no intention of pursuing AMI, the decision and Order of the CPUC notwithstanding.

In January 2005 USCL wrote a lengthy letter to Robert Foster, President of SCE, accompanied by a detailed PowerPoint presentation entitled AMI Team Roadmap which showed how AMI could be cost effective and how SCE could lead the way in the nation by causing new products to be designed on a highly integrated basis. In early January Robert Foster flew to Italy to view and inspect the Enel Electric deployment of 27 million meters to replace the old installed base of 27 million electro-mechanical meters. The last 17 million meters were manufactured in China by ShenZhen Kaifa Technologies Ltd.

In early February USCL received a letter from SCE Vice President Lynda Ziegler thanking USCL for its letter while at the same time stating for the record SCE's purchasing methods and rules of conduct as an IOU serving the public good.

Based no doubt in part on the USCL Robert Foster letter and AMI roadmap, SCE filed a 5 volume 480 page positive response and business case with the CPUC on March 28 2005. Key parts of volume I and II were taken directly from the USCL correspondence.

In May 2005, USCL and Kaifa agreed to jointly submit a response to the first SCE RFI (request for information) in collaboration with Cal amp Company of San Diego, California.

On November 16, 2005 ShenZhen Kaifa Technology Ltd. (Kaifa) and USCL signed a letter of Intent wherein Kaifa agreed to design and commercialize a meter pursuant to a specification written by USCL which ultimately became Specification Number DM-06. The letter of intent further stipulated that USCL would take the lead in responding to the second SCE RFI dated December 12, 2005 and that USCL would represent that Kaifa was USCL's meter partner.

USCL filed a detailed response to the SCE RFI with Kaifa listed as USCL's meter development and manufacturing partner which included key portions of the Kaifa financial statements as a 1.25 Billion USD enterprise as well as the provider of 750,000 meters a month to the Italy Enel Electric project for a total of over 18 million meters (the first 10 million were made by Ampy meter and one smaller company.)

In January 2006 Tom Tamarkin flew to Shenzhen to meet with senior management and project management of Kaifa to discuss the project and begin the negotiations of a contract to replace the previous letter of intent.

In early March Tom and Emily Tamarkin flew to ShenZhen for a project review meeting and review of the draft contract.

On March 7, 2006 a USCL Board of Director, Mr. Robert Block sent Ms. Cherry Lu in Beijing, China an email introducing Tom Tamarkin.

On March 18, 2006 Tom and Emily Tamarkin met Cherry Lu in Beijing, China; however, the Tamarkin's did not discuss the USCL operations, customer base or products.

On April 15 Cherry Lu and Robert Block had an email discussion regarding USCL's operations and meter related business. The email was forwarded to Tom Tamarkin.

On or about April 20, 2006 Bob Block called Tom Tamarkin and said he visited the Wasion meter Group in Changsha, China and had a brief tour of their facility and told USCL of Cherry Lu's concepts of USCL working with Wasion rather than Kaifa.

On April 23 Tom Tamarkin received the following text email from Cherry Lu: [Tom](#)

[I think you should meet Wasion Person \(VP\) in US fair](#)

[If you cooperate with Wasion I can help you do it quickly and better](#)

[Cherry](#)

On April 23, 2006 Tom Tamarkin wrote Cherry Lu the following text email: Dear Cherry:

Hello. I trust this note finds you well. Please let Bob Block know that I have contacted you as he seems to be having a problem with email. Bob just called me from China. Bob has passed on the information from Wasion Meter Group Ltd. and told me about his meeting. They are at <http://www.wasion.com> Please know that USCL is in THE leadership position to quickly and cost effectively get the right Chinese meter partner launched in the United States. We are in a prime position to work with the nation's largest electrical only utility, Southern California Edison, on what can be a \$2 billion dollar USD project. Throughout the United States, this market is projected to be over \$25 billion USD. The timing is critical and the window will not be open much longer.

We have been negotiating with a company in ShenZhen called ShenZhen Kaifa Technologies Ltd. for 18 months. Kaifa is by our judgment the largest and most progressive meter company in China but Bob seems to feel Wasion has equal if not greater merit. I attach a presentation on Kaifa hereto.

I do not want to go into all the reasons and details regarding USCL superior position in this emerging business opportunity. Bob can vouch for the seriousness and accuracy of my statements. If you are interested in the details I can send you hundreds of pages of back up but for now, that would be a waste of time. We must move now. Not take time analyzing the situation. That is USCL's job and we have been doing it well.

We have been moving towards an agreement with Kaifa under which they will invest 1 to 2 million USD to develop the world's most advanced next generation power meter pursuant to a specification written by me and USCL. This specification is key. We are days away from signing a definitive agreement with Kaifa at which point we turn the specification over to them so they can design and commercialize the meter. We are doing this closely coupled with the Southern California Edison (SCE) utility. If we are successful in developing the meter and proving it, SCE will give us a pilot project order for 10,000 to 20,000 meters and test them next winter. Then upon approval, SCE plans to replace all of their 4.5 million old meters. Additionally there are other Advanced Meter Infrastructure (AMI) components and this is the area USCL has a great "unfair advantage" over.

Bob mentioned that the Wasion group will have representatives in Atlanta GA next week at the Metering America show. I can fly to Atlanta Monday or Tuesday but this will only be effective if you can do some pre selling at Wasion and set their expectations in meeting me and let them know, as Bob said, they will know me (USCL) one way or the other...either as a business partner or competitor.

Time is very critical here as we are close with Kaifa. I have been working with Kaifa for 18 months and have made 2 trips to ShenZhen and have worked with the Executive VP (who Bob met in San Jose) and Emily and I met the President last month in ShenZhen.

Again our technical design specification and IP is the key to the U. S. market. We have not yet given the spec to Kaifa but will be required to do so soon (days, not weeks.)

Please advise me on your thoughts on how to proceed with Kaifa, Wasion or both. If you help and commercial transactions are entered into and revenues result, we will take care of you! I can envision a plan to work only with Kaifa but using Wasion strategically to get a more advantageous position based on the credible threat of Kaifa losing out to Wasion. I can envision a plan to work only with Wasion if Bob's intuitive feelings are correct and if they will very quickly commit more than Kaifa has to us. I can also envision a plan where we work with both companies but frankly that seems risky and I don't know how to do it.

Thanks Cherry. Again it was great meeting you in Beijing last month.

Cordially,

Tom Tamarkin
916-482-2000 Office
916-628-8100 CA Cellular
916-974-1800 Home

On April 24 Tom Tamarkin received the following text email from Cherry Lu: Wasion Company

www.WASION.Com

a listing in HONGKONG company, the biggest meter company in China

This is the director Board of Wasion,

Name Mr. Bai Yifeng, Now He is in US,

US number 001-610-2829590

Email: wasiongroup@yahoo.com

Cherry

On April 25, 2006 Tom Tamarkin received the following text email from Cherry Lu:
Tom,

Just now the president called me

I asked his vice president Mr. Bai and the team (one engineer and one sales)

will go to California for visit you and the buyer

and they will live in California more days with you and support you

get the order

Do not worry, the Wasion will be the fine partner in this business

because ICPC is most powerful in China and the president of WASION is our friends

Any problem you can directly call the president Mr. JI WEI 0086-1397486677

You should forgot the KAIFA

Cherry

On April 26 Tom Tamarkin was contacted by Mr. Yifeng Bai of Wasion by telephone. Mr. Bai said he was planning to come to Sacramento to meet Mr. Tamarkin and review USCL.

On April 27 Mr. Bai called Mr. Tamarkin at 07:00 in the morning and said he was in Sacramento and would drive to USCL at 09:00 with Z X, Chief Engineer and Li Hao

Mr. Bai and his group arrived at USCL the morning of April 27, 2006. Mr. Bai met Tom Tamarkin, Emily Tamarkin and Sima Toledano. Mr. Bai passed out his business card which stated: Wasion Group, Hong Kong Enterprise Mgt. Rep. in Hunan P. R. C. Chairman of the Board.

Tom Tamarkin and Sima Toledano spent several hours presenting USCL and a market over view to Mr. Bai. Mrs. Emily Tamarkin explained to Mr. Bai that USCL was a "late stage start up company." She explained why we were operating in an old rented house in Carmichael and explained why we were hiring folks as 1099 contractors as opposed to full time employees to keep overhead down until we received the next round of funding.

Tom Tamarkin showed ZX, Mr. Bai, and Li Hao around the offices and went out side to show the electric meter and gas and water meters.

Mr. Bai had a camera and was walking around the USCL offices taking pictures of everything including technology, office furniture, pictures on the wall, etc.

Tom Tamarkin explained the relationship with Kaifa and the fact that USCL had retained Dr. Victor Kolesnichenko by contract to head up the U. S. side of the meter development and that Tom Tamarkin and Victor wrote the DM-06 specification which was about to be sent to Kaifa after the attorneys resolved some problems relating to the contract and ownership of IP. Tom explained to Mr. Bai Victor's background and past

experience as Engineering Director at MTC a meter company. Tom showed everyone Victor's resume on the PC screen and made a copy of the resume for Mr. Bai.

Copies of numerous marketing materials, PowerPoint presentations, product descriptions and the USCL business plan were given to Mr. Bai and Li Hao to take with them for review.

A photograph was taken of Mr. Bai, ZX, Li Hao and Sima Toledano in the USCL office. A photograph was taken of Mr. Bai, ZX, Tom Tamarkin and Sima Toledano in the USCL office. This photo shows the same area and chandelier light fixture where the future Wasion investigation team met in September 2006 and where the photograph appearing in the Sacramento Bee newspaper was taken.

At 2:00 PM the group from China along with Sima and Emily drove to the Green Jade Restaurant where everyone had lunch and another photo was taken. While at lunch Mr. Bai invited Tom, Sima and Emily to Changsha, China at Wasion group's expense to tour their facility and meet Mr. Ji.

On May 1, 2006 an invitation letter was sent to Sima Toledano from Cherry Lu representing Wasion Group. On May 2, 2006 Tom Tamarkin and Sima drove to San Francisco to obtain a Chinese visa and to introduce Sima to Dr. Kolesnichenko.

On May 3 USCL was notified that Wasion had purchased round trip business air tickets for Tom, Emily, and Sima to visit Changsha. The flight departed SFO at 01:05 May 8 and arrived in Hong Kong on May 9, 2006. The USCL group was met by Vivian Wong of Wasion in Hong Kong who spent the afternoon touring Hong Kong with Sima, Tom and Emily.

On May 10, 2006 everyone flew to Changsha from Hong Kong.

On the evening of May 10 a large dinner was held and hosted by Mr. Ji Wei, Chairman Wasion Meters Group Limited (HK listed company.) In attendance were several Wasion board of director members as well as the founders of Hunan Werko Meter Group (Ms. Zheng Xiaoping and her husband Mr. Wong) and are now directors of Wasion.

The following morning, May 11, Tom, Sima and Emily toured the Wasion and Werko facilities. At this point in the car going to lunch, Tom and Sima discussed returning to the U. S. as soon as possible so that Sima would not have to spend Friday night and Saturday in China as she can not travel on those days. Tom was convinced Wasion was not a viable partner for USCL at that point and that USCL must immediately close with Kaifa. Tom and Sima were very concerned because of the very poor factory lines, simplistic management, etc. Tom and Sima absolutely knew they could not invite utility people from companies like SCE to tour this facility as it was third rate...at best. On the other hand Kaifa was first rate, world class.

A lunch was held hosted by Mr. Ji and various directors and high level employees. After lunch Tom, Emily and Sima were driven out of town to a very large and empty field. Shortly thereafter they were greeted by Mr. Ji who said he purchased 68 Acres and was building a new factory which would be modern and world class and which would open in the late 2007 to 2008 time frame. Shortly thereafter the group met at a local industrial development zone and were greeted by the director.

After the tour of the development zone the group returned to the Wasion offices main conference room. A discussion was held regarding USCL's technical approach and a brief review of the DM-06 specification. Wasion asked that USCL leave a copy of the DM-06 specification overnight for review by their engineering team to discuss the feasibility of design and related time lines. USCL said it needed a NDA signed first. A NDA was produced by USCL which included Wasion and all affiliated, sister, and subsidiary companies. Mr. Ji Wei, Chairman of Wasion Meters Group Limited signed said NDA on behalf of Wasion, et al.

Tom Tamarkin gave Mr. Yin Hui Min, Wasion Meters Group Limited CEO one copy of the specification while in the presence of Sima Toledano and Mrs., Zheng Xiaoping, Chief Engineer, Wasion Meters Group Limited. Tom Tamarkin stated clearly that the Wasion group was not allowed to make any duplicate copies of the spec. Mr. Yin Hui Min said he agreed and Mrs. Zheng Xiaoping said: OK, no copies, with a smile.

After the above exchange, the entire group went back to the Huatian Hotel and had dinner hosted by Mr. Ji Wei and with most of the Wasion directors and high level employees.

The next morning, May 12, 2006 Tom, Sima, and Emily returned to the main conference room at Wasion and found that approximately 10 copies of the DM-06 spec had been made and distributed to various engineers.

USCL held technical discussions providing clarification on the DM-06 specification until approximately noon at which point the entire group again broke for lunch.

After lunch the group returned to the conference room and Tom and Sima presented a power point presentation which was originally prepared for a venture capital group in the Bay Area called Silicom Ventures as modified for Wasion. The presentation clearly showed USCL's product line, technology, strategy, and business opportunity in the U. S. Market.

USCL provided a copy of its financial statements as current through March 30, 2006 and a five year set of comparative statements including Statement of Operations, Balance Sheets, and Statement of Cash flows. A copy of the then current Private Placement Offering Memorandum (prospectus) dated October 2005 and the then current USCL business plan were also provided. The financials were exchanged in written form and the PPO memo and business plan were transferred to USB flash memory drives. This meeting lasted from approximately 2:00 PM until one half hour

before sundown in view of Sima's observance of Shabbat. This meeting was presided over by Mrs. Zhen Xiaoping and Mr. Yin Hui Min on the Wasion side and Tom Tamarkin on the USCL side. Close to the end of the meeting USCL was told by a Wasion interrupter that "Wasion sees and appreciates USCL's most sterling business plan and suggest close cooperation and investment by Hunan Werko." Tom Tamarkin was asked to draft a MOU for consideration regarding investment and cooperation. This was the first time mention was made of Werko to USCL by Wasion. Sima suggested it should be Wasion that cooperates and USCL was told Wasion could not and Mr. Ji Wei would explain why later. Sima requested Hunan Werko and Wasion financial statements and some financial information were exchanged (in Chinese) As sundown approached the meeting came to an end and the group drove to the hotel and had dinner again hosted by Mr. Ji Wei and most of the directors and high level employees.

The following day, May 13, 2006 Sima spent at the hotel. The Tamarkin's toured a museum and a shopping area as hosted by Li Hao and Vivian Wong.

At approximately 6:00 PM a large dinner was convened and hosted by Mr. Ji Wei and attended by most of the Wasion directors and high level employees, Tom, Sima and Emily.

Two thirds of the way through the meeting, Sima was asked when sundown plus 20 minutes had occurred and could business be discussed. Shortly thereafter we adjourned from dinner and met again in a large conference room at the Huatian Hotel.

A business meeting was commenced at approximately 9:00 PM.

The MOU as drafted by Tom Tamarkin earlier that day was distributed to everyone and styled Rev. 1.

Wasion and very specifically Mr. Ji Wei to the exclusion of anyone else began negotiating with Tom and Sima.

By 02:30 14 May a MOU Rev 4.1 was agreed to by all parties and signed by Mr. Yin Hui Min, CEO of Wasion Meters Group Limited (on behalf of Werko) and Tom Tamarkin of USCL.

Mr. Ji did all the negotiating for Wasion/Werko. He mentioned wanting to see USCL become NASDAQ listed by 2008. He said this multiple times.

At one point Mr. Ji asked if the entire company could be bought and then 50%. USCL held firm and finally it was agreed that Wasion (Werko) would invest \$3,000,000 cash in the U. S. and \$1,000,000 cash in China for engineering work in exchange for 40% of USCL. It was noted in the meeting and reflected in the MOU that Werko would in no event receive less than 40% of the company for the \$4,000,000 investment and USCL pointed out that USCL could not sell shares to other investors without diluting the Werko position and therefore it was important to promptly fund the enterprise. It was agreed

that \$500,000 would be wired to USCL on May 26, 2006 as an advance against the \$3 million and that the balance would follow per a milestone schedule to be produced. It was agreed that USCL's lawyers would prepare the contracts. It was agreed that Dr. Victor Kolesnichenko would travel to Changsha very shortly to hold design meetings and consult to the Wasion team. It was agreed that Wasion (Werko) would send USCL estimated cost of meter numbers within thirty days so that USCL could complete the update of its business plan, budget and milestone events. As of October 22, 2006, Werko has continually failed to provide this cost information yet it has been requested over fifteen times in writing.

On May 27, 2006 a letter (see Exhibit "E") was sent to SCE's Director of AMI saying it was no longer working with Kaifa but rather Wasion. The letter mentioned the investment by Wasion. This letter was sent to Li Hao and Mr. Ji by email and a hard copy was sent via Federal Electric to SCE along with the referenced photographs.

Dr. Victor Kolesnichenko and Tom Tamarkin departed May 29th for Changsha and arrived May 30th for three days of engineering design and project management meetings. Tom Tamarkin arranged for a Chinese to English translator at USCL's expense to attend the meetings on USCL's behalf. Although primarily technical, the meetings were not particularly cordial. The tone was tense and almost antagonistic as opposed to collaborative. Mid day June 2nd, Tom Tamarkin was asked to dismiss the translator by Mr. Li Hao. Mr. Li Hao and the translator got into an argument over this issue and Wasion physically walked her out of the building. Privately the translator shared her thoughts with Tom Tamarkin prior to the dismissal. She felt that the attitude of Mr. Li Hao and a few others was very negative towards USCL and condescending. At the time she told Tom Tamarkin that she believed Mr. Li Hao was out to destroy the relationship between Wasion/Werko and USCL to make him look good in the eyes of Mr. Ji and further his career. She termed Mr. Li Hao a pariah who would do harm to the project in divisive ways for his benefit.

During the technical meetings it was agreed that USCL would receive a copy of the estimated Bill of Material and cost of the meter within two weeks. As of October 22nd USCL has not received it. During the meetings Dr. Kolesnichenko was told USCL would receive a copy of the electronic schematic within 3 to 4 weeks for his review, comment and suggestions. As of October 22nd we have not received it although we have asked many times. [In a later meeting between USCL and the Wasion team from China held in San Jose, California on September 23, 2006, USCL again asked for the drawing. USCL was told by Zheng Xiaoping that "only Mr. Ji could authorize the release of the drawing to USCL and that as of that time he said no."]

On the evening of June 2nd Dr. Kolesnichenko and Tom Tamarkin attended a large dinner at the Huatian Hotel hosted by Mr. Ji and attended by most of the Wasion directors and high level employees.

After dinner the entire group reconvened in a mid size conference room at the hotel. Discussions were held regarding the deliverables of both parties to each other and a

review of the USCL six month budget was held led by Mr. Ji. Mr. Ji became extremely strong and forceful and made the point of saying that he expected his money to be spent by USCL only “on the project.” When Tom Tamarkin questioned what the project was in his opinion, Mr. Ji repeated this comment several times. He said if USCL spent the money any other way “he would become very angry.” He then said to Tom Tamarkin “you scare me. You scare me!” After this exchange the discussion centered on the budget line item regarding sales samples and the price Wasion would charge USCL for meters to be delivered to SCE and other early samples. The meeting was adjourned at 12:30 AM.

On June 6, 2006 a USCL Board of Directors meeting was held at the offices of DLA Piper Rudnick, Gray Cary. The meeting was bifurcated. The first section of the meeting related to old USCL business and deferred compensation issues and a short discussion with Tom Powers, past acting CFO. The second section opened with the introduction of Mr. Bai from Wasion, a vote which unanimously elected Mr. Bai to the USCL Board of Directors, and a review of the MOU wherein it was stated that Wasion/Werko agreed to invest \$4,000,000 into USCL; \$3,000,000 in the U. S. directly and \$1,000,000 in China for engineering and development.

Mr. Bai took a few minutes and spoke about “the hunt and the prey.” He spoke about first “seeing if the product could be produced consistent with market demand” and about “the need to find buyers.”

Bob Block spoke about the importance of the IP and the need for USCL to 1, own the IP and 2, protect the IP. Ray Presgrave asked Mr. Bai if Wasion planned to make its money off the long term transfer price resulting from the sale of meters to USCL and the subsequent distribution of meters to the utility industry by USCL or from an IPO USCL might do in the future. Mr. Bai declined to answer this question and he declined to give an answer on the questions of IP ownership. He said he “would call Mr. Ji that night and give Mr. Ji the information.” The next day Mr. Bai told Tom Tamarkin that he spoke with Mr. Ji but gave no indication what Mr. Ji’s position was.

In June, DLA Piper Rudnick Gray Cary was engaged to draft the contracts between USCL and Hunan Werko Electric Meter Group Ltd. The contracts went through a review process by the firm and USCL. In late July USCL was requested by Hunan Werko to provide the contracts in Chinese if at all possible. USCL had Piper Rudnick, et al, translate the contracts into Chinese and emailed a complete set of contracts in English and Chinese to Hunan Werko on August 15, 2006. As of October 22, USCL has gotten zero feedback. In a recent letter, USCL was told by Werko “that Werko was not able to find a lawyer to review the contracts knowledgeable in U. S. Law.

In late August USCL received a letter from Werko wherein USCL was criticized and blamed for various delays in the project. USCL responded accordingly and another set of letters was exchanged by the parties (see Exhibits “A”-“D”) An important issue Werko blamed USCL for is Werko’s total 100% lack of performance on the design and fabrication of the meter’s mechanical package. It has been stressed at all times that

Werko was to design and commercialize an ANSI standard conforming meter. This includes the mechanical package as well as the electronics and software. Utilities are not interested in buying a printed circuit board and a handful of parts. They require the complete meter.

In August Mr. Ji requested through Li Hao that USCL write a letter to Wasion Group which the company in turn was going to provide to the American consulate in Beijing in furtherance of having visa applications for three Wasion employees reconsidered. The visa applications were denied earlier by the United States State Department. The text of this important letter as approved by Li Hao and presumably Mr. Ji is attached as Exhibit "F" and this is a very important letter as it reduces the nature of the relationship between USCL and Hunan Werko & Wasion to a very clear statement of fact submitted to the United States Department of State.

On September 17, 2006, Zheng Xiaoping, Jason Yang, and Lu Wenyuan arrived in Los Angeles, California where they were greeted by Tom Tamarkin and Peiyi Li. Mr. Bing Li also joined the group on behalf of Wasion having flown in from Vancouver, Canada. Mr. Bing Li had no business cards and said he came as a friend of the Wasion team at their invitation to help. He said he worked for a Wasion affiliated company in Canada.

On September 18, 2006 the group was joined by Sima Toledano of USCL. The group drove to Rosemead, California and the corporate offices of SCE and the Wasion group made a presentation to SCE's AMI team consisting of Paul Kasick and Mrs. Kevin Wood. The entire presentation was in PowerPoint format and was Wasion Meters Group Limited, not Werko.

After this presentation the group was joined by Prakash Menon of Covansys Systems and later that afternoon the entire group met at the meter shop of the City of Anaheim Electric Utility and later at the utility's offices in downtown Anaheim. The Wasion group made the same PowerPoint presentation to the Anaheim city AMI engineer, Steven Ness.

The following two days were spent in the Sacramento USCL offices. The entire group was joined by Ramesh Vasu, acting USCL project manager, and Dr. Victor Kolesnichenko, USCL meter engineer as well as Nelson Navarro, Tim Matt, and Wade Smith of Wellspring Wireless, USCL's ZigBee radio partner.

On the morning of September 19, Jason Yang of Wasion took a crude prototype meter and installed it in the USCL meter test fixture. The displayed showed a zero reading under load. Tom Tamarkin suggested that the primary winding of the current transformer was probably not installed correctly. The engineers argued about this and said it was correct. Finally they agreed to take the meter apart and check. They reversed one winding as Tom suggested and reinstalled the meter. At this point the meter did work and display load values although the displayed value was off by a factor of 2. Within ten minutes the meter failed 100% and the engineers could not make it work again. Thus USCL was unable to evaluate the meter.

Tom Tamarkin did take the meter apart again and took very high resolution photographs of the meter's circuit board. These show all the components and the part numbers. USCL has reviewed these in detail and has concluded that the meters fails to 1, conform to basic ANSI specifications and 2, fails to meet much of the USCL DM-06 specification and functional requirements.

The Wasion team agreed to take the meter back to China, repair it, address the accuracy issues, and then send it back to USCL no later than October 10, 2006 whereupon USCL would test it and then send it to Wellspring Wireless who would integrate their ZigBee radio into the meter and conduct tests. As of October 22, 2006, the meter has not been delivered to USCL.

On October 11, 2006, USCL agreed to send Tom Tamarkin, Sima Toledano and Peiyi Li to China to discuss various MOU and technical issues but only to the extent that a "decision maker" would be present in the meeting.

The USCL team flew to China. On October 18, 2006 Tom, Sima, Peiyi and Vivian Wang, ESQ from the Piper Rudnick Beijing office met at the Wilfar Information Technology Systems building in Changsha. This is a Wasion sister company to Werko.

Mr. Bai was present along with the Werko general manager, an in-house legal assistant, Li Hao, Zheng Xiao Ping, Jason Yang, Lu Wenyuan and Vivian Wong, Wasion's translator and the Wasion export manager.

USCL had prepared a Power Point of significant accomplishments and key financial information however; Werko's group was not interested in indulging the presentation.

During this meeting Mr. Bai said the person who signed the MOU was not authorized to sign the MOU and that the "Werko Board" did not authorize the MOU and specifically revoked it." It is noted that at the signing of the MOU, Mr. Ji Wei, Chairman of the Wasion Meter Group was standing directly behind Tom Tamarkin as the MOU was signed.

Mr. Bai said he was not empowered as a decision maker. He said Werko had a "board" of three who collectively decided. He said the "board" included him. He said the other two members were negative on ANY MOU with USCL but that "his mission" was to get their support for a new revised MOU.

Mr. Bai Spent considerable time discussing IP. His position was that "they had modified the DM-06 specification so they now owned it." At this point Tom said a red line had been crossed and Sima stated the same thing very strongly. After a vigorous discussion of this matter, Mr. Bai stated that any new MOU must address the IP and at a minimum provide Werko with co ownership at a minimum.

The meeting was adjourned around 4:30 with no resolution of the issues. Sima, Tom, Peiyi, and Vivian Wang, ESQ returned to the hotel.

The next morning, October 19, 2006, a conference call was placed to the California office of Piper Rudnick and the MOU was discussed and a response to "Werko" was outlined.

At 09:15 Vivian Wang called Mr. Li Hao and advised him to contact Mr. Bai and advise him that Tom and Sima would meet him at the hotel at 11:30 AM. Mr. Li Hao said that was impossible and that USCL would have to go to the Wilfar building to meet Mr. Bai.. Vivian Wang called Mr. Bai and said Tom Tamarkin and Sima had a very important message to deliver to him regarding the "proposed new MOU" and asked him to meet at the hotel at 11:30. Mr. Bai refused and argued with Vivian for a minute and then hung up on her.

At that point Tom and Sima made the decision to return to the United States pursuant to the October 11, 2006 email wherein USCL agreed to come to China only if it met with decision makers as clearly there were no decision makers available for USCL to meet with.

As of the 23rd of October, USCL has been asked by Covansys Systems to confirm delivery of 24 meters to SCE on or before the 15th of November. Edison will include USCL on the upcoming RFP to the extent these meters are shipped and are approved in testing. Covansys now indicates it can do another project with SCE and USCL involving data encryption and meter address security at the MDM layer of the back office and Covansys wants USCL's assurance that it will be in a position to deliver.

USCL was advised this afternoon, October 23, 2006 at 1:30 PM by Prakash Menon that John Goodwin, Chief AMI Architect at SCE has confirmed that USCL is now on the AMI and meter RFP list and that two other competitor's, Elster/Westinghouse & General Electric, meters have been disqualified.

Respectfully submitted,



Tom Tamarkin
President & CEO
USCL Corporation
916-482-2000