



Monday, July 23, 2012

Dear Shareholder,

As outlined in the newsletter sent May 28, 2012, the board would like to provide the following periodic update regarding the 100kW development. The 100kW project has been assigned the name, *CWind FD* (FD standing for Friction Drive).

As noted previously, work has commenced on the optimization of the 100kW wind turbine drive. An engineering firm was contracted to complete the blueprints for manufacture.

In order for the engineering team to commence work on component sizing and speeds, a clear understanding and calculations of the torque or front end "loads" from the blades is required.

The *CWind FD* business plan proposed buying the first ten (10) blade sets "off the shelf", and then once revenues warranted, *CWind FD* would then design and build proprietary blade sets specifically for the friction drive.

Unfortunately, the company who had originally guaranteed sourcing the blade sets could not live up to this guarantee, and could not locate an off the shelf supplier.

This led to the engineering work being put on hold for six (6) weeks, and diligent efforts being put into sourcing off the shelf blade set(s), in order to provide the engineering firm information required to continue.

After much effort, and calls all over the world, we were unable to secure a purchase, however are currently investigating the option of designing the *CWind FD* blade upfront. *CWind FD* is working with a company out of the Netherlands. The company is well known for their quality work and are composite experts. They will be providing a quote on design and manufacture this week. This company was also willing to provide our engineers with typical loads that are seen on a 100kW, utilizing a 9-10m blade. Thus, we will be able to re-start the engineering process.

Understanding the costs associated with the blades, will affect the cash flow in place, and investment dollars required. *CWind FD* will require an additional capital raise by mid-August to complete the work required for manufacture.

While continuing with the work required in seeing a successful technology move to product, *CWind FD* has made several in roads to sales. The company is confident in securing a strong market share once the product is in place.

We will continue to keep you posted as advancements are made.

Sincerely,

Peter Routliff
President and Chairman