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Thank you for your response. Since the STA form limited the amount of explanatory information that we could provide, we welcome the opportunity to provide this letter of clarification.

Gilland Electronics Inc. has maintained a strategic partnership with the Russian Millimeter Wave Division of a Latvian company, ELVA-1 Ltd., for the past 5 years. ELVA-1's Millimeter Wave Division manufactures millimeter wave components, subsystems, and test equipment for commercial applications and scientific research.

Our function in this relationship is to evaluate the U.S. market for ELVA-1 millimeter wave products, and to import for resale in the U.S. those products that the market desires. So far, our U.S. business has been limited to supplying test equipment to various research labs, such as NIST in Boulder CO, General Atomics in San Diego, and Cornell University. Meanwhile, ELVA-1 has been developing new, low-cost techniques for the commercial transmission of digital data via millimeter wave radio links.

I believe that part of any confusion our STA application may have caused stems from the fact that only two of the items listed are RF radio transceivers (PPC-100/60 and PPC-100/42), and the other one is an RF bulk level sensor transceiver (ULM-31). The enclosures for all three models incorporate integrated narrow-beam antennas, so the antenna output and the transmitter output cannot be expressed separately, nor can the transmitters be attached to different antennas.

ELVA-1's data communications transceiver (PPC-100/XX) development has been concentrated in the 60 GHz range (designated by the FCC as an unlicensed communications band) and the 42 GHz range (a Russian licensed communications band). The company currently has point-to-point 42 GHz field test systems in place with two of the three largest Russian digital communications networks. Their digital radio technology can be implemented at other millimeter wave frequencies, or as a point-to-multipoint system.

ELVA-1's unique transceiver design implements direct digital modulation of an AM carrier at the transmission frequency, with no IF modulation involved. This technique allows the transceiver to be transparent to any digital data format. We experienced some perplexity at one point in the STA form where we were required to identify the type of emission. The form requested that we choose one of 6 selections, none of which directly described the type of emission our equipment produces. Since there was no selection for "Amplitude modulated (AM) digitized non-voice" (the correct description), the closest choice was "Amplitude modulated (AM) voice."

For the ULM-31 bulk level sensor (which operates at 94 GHz), we encountered another selection lapse. Its emissions are "Frequency modulated (FM) non-voice," but the closest selection available was "Frequency modulated (FM) voice." Since I have reviewed the form, however, I note that "Frequency modulated (FM) voice" is listed twice. I suspect that one of these is a typographical error, and should have been "Frequency modulated (FM) non-voice."

ELVA-1 is at a development position with both of these products (millimeter wave digital radios and bulk level sensors) where we can effectively demonstrate them to potential customers in the U.S. market and obtain feedback about their acceptability. The products are low-power, operate in frequency bands that are designated for their use and possess permanently fixed antennas. We are seeking an STA for 6 months to implement our market research demonstrations.

Our plan is to begin with demonstrations in our trade show exhibit booth at IMS-2002 in Seattle, June 2002. For the radios, these demonstrations will take the form of either point-to-point transmissions within the exhibit booth or "bounced" narrow-beam transmissions from a reflector mounted above the exhibit floor back to a receiver in the exhibit booth. For the bulk level sensors, we expect to demonstrate level measurement of a container of water.

From contacts who express interest at the exhibit booth, we intend to arrange for customer premise demonstrations under more controlled test conditions. Between now and June, we intend to inform selected private and public digital network operators of the availability of the transceivers for test purposes. Availability of the bulk level sensors for test will be introduced to companies who manage fixed bulk containers of both corrosive and non-corrosive liquids and granular solids, such as oil, water and cereal grains. We would prefer that our STA begin in May, in case any of our contacts wish to preview the products in advance of the exhibition.

The testing process for each product will be customer-driven according to their performance requirements, but will generally be limited to confirming data transmission speed vs. BER in the customer's operating environment, determining packaging acceptability, and (in the case of the radios) demonstrating adaptability to the customer's digital formatting. For the bulk level sensors, accuracy and adaptability to the customers' networking system must be demonstrated. New antenna locations will be filed with the FCC prior to each customer test.

Except for common knowledge of those potential customers who are highly visible, we have not yet officially identified or contacted any potential customer for these products. It would be useless to do so with no opportunity for demonstration. In the past year, however, we have been contacted by 3 or 4 digital network operators and manufacturers who expressed an interest in examining ELVA-1's PPC-100/XX products. These companies obtained knowledge of the products from ELVA-1's company Website <http://www.elva-1.spb.ru>, and not from any initiating effort on our part.

Since the first company contacted ELVA-1 about their digital radios, we have sought to find some way of demonstrating ELVA-1 transmitters in the U.S. without violating FCC

regulations, and we only recently became aware of the STA process. On one level, the delay is considered fortuitous, since it allowed ELVA-1 to develop their radios to a level that will afford them meaningful consideration by U.S. network operators. The STA will allow us to explore the potential for this market.

We have neither established, nor are we negotiating, any monetary relationships with any U.S. company in regard to the equipment for which we are seeking this STA. Our current goal is strictly limited to establishing the degree of interest in the U.S. market for the subject equipment.

If we find the existence of a firm U.S. market for these products, our long-term goal is to quickly move into FCC type acceptance testing and, once they are approved, offer them for sale to U.S. digital network operators and operators of fixed bulk material containers.

Sincerely,
John Stover, President
Gilland Electronics Inc.