

JOHN Williams

07-5-3

May 24-25, 2007

Good morning ladies and gentlemen,

My name is John Williams and I am Vice-President of Business Development for the Ovonic Applied Technology Center in San Clemente California. As a California Technology Company involved with hydrogen and plug-in electric vehicles, we are disappointed by staff recommendations to the board for two reasons:

1. We do not see how many of the programs provide a path to commercialization or for technology advancement and some are essentially duplicate programs being performed in other states; and
2. We were also disappointed that California funding is being awarded to several out-of-state companies.

Our principle activity at the Technology Center is the development of clean electric, plug-in electric, and alternate fuel systems for light and heavy-duty transportation applications. We have a very capable team of engineers, each with more than fifteen years of automotive experience, including the development of alternate fuel cars and trucks for General Motors, electric vehicles for General Motors, fuel cell powered all-terrain vehicle for the US Army, and hydrogen-powered Prius equipped with compressed or solid hydrogen storage systems for AQMD and others.

To achieve our objective of providing the most optimized transportation solutions, we convinced our board of Directors to invest 5 million dollars in a state of the art, 4-wheel drive, hybrid development test cell that will allow us to perform road simulations in a laboratory environment. We will be able to measure performance and emissions for either a complete vehicle or vehicle sub-systems for any given driving cycle. This is a powerful tool for vehicle development work and it will allow us to efficiently integrate and test hybrids and any other powertrain configuration in a controlled environment before they are released to the customer. Major auto companies are investing in this type of equipment but this is the first such installation planned in California.

We were excited and upbeat when CARB requested proposals under its Alternate Fuel Incentive Program (AB1811) as this supported our decision to invest in a California facility for the development of advanced vehicle technologies. We submitted three proposals detailing development of a ground-up plug-in series hybrid hydrogen-powered car and a plug-in series hybrid hydrogen-powered buses. We believed our proposals were technically sound and appropriate to the CARB objective to develop plug-in and ZEV enabling technologies. Unfortunately, staff recommendations propose to award a bus program to a firm located in Colorado and a mild hybrid medium duty truck program to a firm in Michigan.

After the staff recommendations were completed, we conducted an internal post-contract review that generated some concerns for the proposal award process. :

1. We were not contacted or asked questions about our proposals so it could be said that we were not given the opportunity to review, discuss or defend our proposals. This also lead us to believe that the staff recommendations may have been made without supporting information from the submitting companies.

2. Our proposals were structured not only to detail the technology and emissions advantages of our approach but also for the impact of the proposed projects on economic development and job creation. The lack of communication from CARB did not allow the opportunity to assess the importance or relevance of these issues to the decision making process.
3. As mentioned previously, staff is recommending to award these programs to out-of-state companies. Is staff overlooking an opportunity to build the vehicles in California and create jobs here in the state? We chose to incorporate in California as this state is the national focus for plug-ins and alternative fuels. Unfortunately, as more California programs are awarded to out-of-state companies we are pursuing contracts beyond California and we have been enticed to relocate with offers of free buildings, free rent, and access to their state programs.

In conclusion, ladies and gentlemen, we believe that California is the right place to be for the development of advanced vehicles and emissions reduction technologies. For this reason we chose to locate our facility in San Clemente and if I may say so, without any state or local incentives. Please keep in mind our reality: We need to justify our investment decisions and to provide the best returns to our shareholders. The corporate world is driven by stock price and a review of financial performance every 3 months.

We hope that you will review the staff's recommendations in light of the questions and concerns that we have provided and you will recognize the importance to support California based companies. Thank you for your kind attention.