

Report VII

Volume 2007

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C-NESTTM MARKETING

From the Desk of Rod Lighthipe

I am writing this month about a very serious matter. It pertains to the continual and inappropriate telephone inquiries by ConectiSys shareholders to subcontractors and / or other entities that may be doing business with CNES or have the potential to do business with the Company.

Yes, this is a free country and yes shareholders of any public company are entitled to such inquiries. However, when these inquiries become (1) a nuisance, (2) jeopardize relations between CNES and their contractors / clients and (3) possibly border on the request for inside information, such inquiries are frankly inappropriate and may violate SEC regulations.

I and Chairman Spigno have on several previous occasions requested shareholders to call the CNES offices if you have questions and not call business partners directly. At this time, I must ask you to **STOP** these calls to anyone except the CNES offices. Perhaps an example of a recent incredibly intrusive call to one of our partners might serve to demonstrate how these calls are of no value and can possibly be harmful to the CNES / Partner relationship. The following really happened!

A shareholder somehow (do not ask me how) obtained the cell phone number of one of our business partners.

This shareholder called that cell phone at 5:00 AM. Unfortunately our partner answered the phone believing it may be a family emergency.

You can only imagine the outrage our partner had not only against the caller, but CNES management.

This is an example of the inane calls shareholders are making; of particular concern are shareholders calling our partners and requesting specific financial information and / or the status of pending agreements. These types of calls are not only inappropriate, but may be illegal.

In conclusion, the Company will always release pertinent information regarding contracts and / or other important events when they happen. However, we must ask all shareholders to refrain from any calls to CNES subcontractors, clients or other business partners. Shareholders are always welcomed to call the Company Offices. Please feel free to ask for me. It is my sincere hope that this plea for sanity and appropriate business conduct is the last time I have to address this matter.

Sincerely yours,
Rod Lighthipe
Director of Business Development

Irrigation District project update

As anticipated, after a lengthy field evaluation the company determined that its HNetTM modular would require some modifications to accommodate its irrigation metering project.

The problem was that wide area networks would require node to node communications with ranges up to five miles.

Although, our core product has been developed for residential and commercial it is best suited to be deployed in a hi-density setting with ranges under one mile.

This fact was clearly understood by all parties prior to the signing of our agreement. The challenge was to modify our existing circuitry and software at a lower cost than a modem to a cellular telephone at each meter. This was accomplished with an alternative off the shelf radio with ranges greater than five miles accompanied with a protocol software patch. Our HNet™ code would then be transparent, delivering an elegant wireless solution for a difficult project.

Recently the contracting parties have notified CNES that they have decided to proceed with the cellular telephone option located at each meter. There were two reasons given for this decision; (1) the customer desires a uniform communications technology at the numerous sites that it manages and many of these sites currently have cellular communications capability and (2) the initial development cost of the CNES five mile range radio was unacceptable to the customer.

The good news is that the Company has proceeded to develop this extended range capability and it is now part of our technology portfolio and CNES was compensated by the Customer for our initial engineering evaluation and feasibility work on the Project.

The Company remains confident about its broad range of AMR solutions for both the residential and commercial markets.

THIS MONTHS ARTICLE:

Average U.S. Electricity Prices Jump 4.7 Percent

Park Ridge, N.J., June 4, 2007 - Following a stunning increase of nearly 11 percent in the year ending in April 2006, the average price of electricity for industrial or large commercial entities in the United States jumped another 4.7 percent over the past year.

The annual survey by an independent consulting company, NUS Consulting Group of Park Ridge, N.J., found that the average price of electricity in the United States was 9.28 cents per kilowatt-hour

(kWh) as of April 1, 2007 compared with 8.86 cents per kWh in April 2006. The survey samples 24 of the largest investor-owned electric companies in the country using an industrial model of monthly usage totaling 450,000 kWh with a monthly demand of 1,000 kW. The survey model also assumes an operating power factor of 85 percent and customer-owned transformation equipment.

As with past surveys, the study found customers in the California, Maryland and New York pay some of the highest electricity prices in the country. The top five surveyed utilities in terms of price included Consolidated Edison (NY) at 18.29 cents/kWh, National Grid (NY) at 14.06 cents/kWh, Baltimore Gas & Electric (MD) at 12.98 cents/kWh, Southern California Edison (CA) at 12.65 cents/kWh, and Pacific Gas & Electric (CA) at 11.45 cents/kWh.

The largest price escalation over the past year occurred in Illinois as ComEd industrial customers witnessed their electricity costs increase by 36.1 percent. Other utilities with notable increases included Consolidated Edison (NY) at 25.6 percent, Xcel Energy (MN) at 22.1 percent, Entergy (LA) at 17.5 percent and National Grid (NY) at 16.4 percent.

The survey found the lowest priced utilities included Dominion Power (VA) at 5.20 cents/kWh, Duke Power (NC) at 5.28 cents/kWh, Ohio Power at 5.34 cents/kWh, Ameren UE (MO) at 5.46 cents/kWh, and Alabama Power at 6.30 cents/kWh. The largest price decreases over the past year were found with Southern California Edison at 13.3 percent and Public Service Electric & Gas (NJ) at 11.5 percent.

As borne out in previous surveys, the highest power prices can be found in those states that have deregulated their retail electricity markets. Considered in the past by many as a means of lowering electricity prices, the central promise of deregulation has yet to be fulfilled for many consumers.'

"The survey once again reveals that higher energy prices seem to be here to stay," said Richard Soutanian, co-president of the NUS Consulting

Group." Retail deregulation is currently either stalled or ineffective in much of the country and many people are looking for answers to their ever increasing electricity bills.

"He concluded by saying, "In today's market, consumers must be vigilant in tracking their energy costs or they run the risk of losing their competitive edge."

The survey was undertaken by the world's leading utility cost management consultants, NUS Consulting Group located in Park Ridge, New Jersey providing energy and telecommunication cost audit, analysis and consulting services to industrial and commercial organizations.

By: David Brown
NUS Consulting Group

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The statements contained herein and in the Monthly Report that are not historical are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements including, but not limited to: the level of cost-effectiveness and efficiency of the Company's H-Net™ automatic meter reading products or technologies; changes in the Company's policies regarding communications with shareholders and the general public; the success or failure of the Company's marketing efforts and the particular efforts to be employed; the Company's ability or inability to commercialize, sell, license or further develop its H-Net™ automatic meter reading products or technologies; and other risks detailed from time to time in the Company's periodic reports and other filings with the Securities and Exchange Commission.

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