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CONVERTER TECHNOLOGY INC.

Advanced Technologies & Products for Particulate and Air Pollution Control

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September 8, 2006

Ms. Kate Williams, Program Manager
New Technology Research and Development Program
Texas Commission on Environmental Quality
12100 Park 35 Circle, Bldg F
Austin, Texas 78753

via email: kawillia@tceq.state.tx.us

Re: Invoice #23, NTRD Contract Number 582-5-65591-0007

Dear Ms. Williams:

Please find attached request for reimbursement and monthly Project Status report for Converter Technology, Inc., NTRD contract number 582-5-65591-0007 for reporting period August 1 through August 31, 2006.

Cordially,

Ray Kammel
President

RAK:emk

Attachments:

Monthly Progress Status Report
Request for Reimbursement
Financial Status Report

**Texas Commission on Environmental Quality
New Technology Research & Development (NTRD) Program
Monthly Project Status Report**

Contract Number: 582-5-655-91-0007

Grantee: Converter Technology Inc

Date Submitted: September 8, 2006

Report for the **Monthly** period:

Starting Date August 1, 2006

Ending Date August 31, 2006

Section I. Accomplishments (*Please provide a bulleted list of project accomplishments as well as a description of their importance to the project.*)

- Continued in-house testing of the incinerator on the road.
- Continue exploring host truck companies in Jackson, Michigan for installation of hardware. These are the city of Jackson, Jackson County, and omni trucks.

Indicate which part of the Grant Activities as defined in the grant agreement, the above accomplishments are related to:

1. Task #4 - Construction of converter, EGR, and data acquisition system.
2. Task #7 – In-house emission and acoustical testing.
3. Task #8 – On-the-road emission & durability testing.

Section II: Problems/Solutions

| | |
|---|--|
| <p>Problem(s) Identified</p> <p><i>(Please report anticipated or unanticipated problem(s) encountered and its effect on the progress of the project)</i></p> | <ol style="list-style-type: none">1. Identifying a good match for a truck host company that has at least one preferably two trucks available for the demonstration retrofit and durability requirements.2. Encountered problems with incineration on the road. |
| <p>Proposed Solution(s)</p> <p><i>(Please report any possible solution(s) to the problem(s) that were considered/encountered)</i></p> | <ol style="list-style-type: none">1. Still in contact with 2 to 3 entities in Jackson, Mich.2. Expanding the testing of incinerator using Mica or ceramic coated perforated sheet metal |
| <p>Action(s) Conducted and Results</p> <p><i>(Please describe the action(s) taken to resolve the problem(s) and its effect)</i></p> | <ol style="list-style-type: none">1. Continue contacts based on leads are in progress in Jackson, Michigan and Houston, Texas.2. Tests on Mica were more favorable. However, due to delicate way necessary to handle mica, ceramic coated perforated sheets were ordered and are being tested during the up coming period. They may provide a better alternative. |

Section III. **Goals and Issues for Succeeding Period:** *(Please provide a brief description of the goal(s) you hope to realize in the coming period and identify any notable challenges that can be foreseen)*

1. Ship and install hardware to host truck company in Jackson, Michigan to be followed by Houston including the data acquisition system for installation. Negotiations and discussions are still taking place and once problems are resolved, installation will proceed immediately.

Most challenges in the upcoming periods are related to truck host companies. An adjustment in engine type to 3406e instead of 3406b is being considered due to popularity of the "e" engine in truck applications. We are looking at CAT 3116 engines as alternative due to its popularity in urban applications. Fine tune of EGR calibration will be performed on the road, as our plan calls for.



Date: 09/08/2006

Authorized Project Representative's Signature

NOTE: *Please attach any additional information that you feel should be a part of your report or that may be required to meet the deliverable requirements for tasks completed during this reporting period.*