

INITIATION REPORT

Company: China Wi-Max Communications, Inc (OTCBB: CHWM)

Price: \$0.23 **Target Price:** \$1.70

Recommendation: Speculative Buy

Analyst: Clay Mahaffey, CFA

March 14, 2010

Summary: CHWM is developing a broadband telecommunications business in China by providing 'last mile' internet connectivity and value added services. They have acquired and/or optioned 213 km of fiber optic cable in the densely populated major business cities of Beijing, Hangzhou and Shanghai as well as 5.8 GHz wi-max spectrum in these cities. Initially they will sell high speed broadband internet connections primarily to businesses adjacent to their installed cables and use the wi-max wireless spectrum to extend their fixed line network.

Investment Rationale:

- Booming market with spectacular growth. China has over 338 million people connected to the internet and over 205 million unique IP addresses.
- Niche business to business strategy. CHWM plans to avoid the cutthroat mobile market dominated by the big three telecoms in China in favor of supplying businesses with fixed line broadband connections. Their fiber is in the outer rings of each city where many buildings are pre-wired for cable consequently enabling low cost 'last mile' connections. They will use wi-max towers atop buildings connected to their backbone fiber to 'mesh' together a larger network. Download speeds will far exceed current DSL rates.
- Own and control fiber and licenses.
- Grossly undervalued share price. A current fair price of \$1.25/sh is determined from a combination of cash flow analysis, recent transactions in the industry and a comparison to a peer group of similar company valuations.
- Senior U.S. executives lead the team. The management team has a cumulative 150 years of experience gained from industry leaders such as Direct TV, Sprint, Bell Labs, Lucent and other firms including entrepreneurial firms and companies. They have extensive experience operating in China and exceptionally strong technical credentials (3 PhD's). They are headquartered in Denver, Colorado.
- Control of China operations. Management has spent nearly two years putting together a series of joint ventures and controlling contracts with local entities (WFOE's- wholly owned foreign enterprise) so that they comply with Chinese law and telecom regulations.

Snapshot	
TICKER	CHWM
FISCAL	December
SECTOR	Telecommunications services
RECENT PRICE (3/12/10)	\$0.23
TARGET PRICE-12-18 Month	\$1.70
MARKET CAP \$mil	\$3.3
52 -WEEK HIGH	\$1.01
52-week low	\$0.18
Price/Fwd Op.Cash Flow	N/A
FORWARD PRICE/SALES	1.35
PRICE/BOOK VALUE (mrq)	N/A
SHARES OUTSTANDING (10/5/09)	14.4 mil
FULLY DILUTED 3/8/10	27.8 mil
FLOAT	3.6 mil
AVERAGE DAILY VOLUME(3mo)	23,000
INSIDER SHAREHOLDERS %	75%
CEO	Steven Berman

- Positioned to grow rapidly. CHWM has raised about \$4 million and spent it prudently. They have MOU's with local entities that recognize the benefit of partnering with a US listed company.
- Hot Sector. Over \$86 billion was invested in telecommunications services globally in the last 14 months including \$242 million in deals of \$10 million or less.

History. The Company was formed in June 2006 and filed an SEC Form 10 in 2008. They began trading on the OTC BB in September 2009.

Current Financials and Capital Structure

Milestones. The following milestones are important steps in the growth of the Company and when and if achieved should validate the business model and potential share price appreciation.

- Fund raising sufficient to meet working capital and/or capital investment needs.
- Acquisition or joint venture with an operating company in China that results in revenue recognition by CHWM of at least \$1 million/year.
- Securing initial sales of telecom services to its network.

Organization. The Company is a holding company for a group of joint ventures and subsidiaries that were formed in order to comply with legal and regulatory requirements in China. The local entities own the telecommunications contracts and property, according to Chinese law and regulations, and these companies are in turn controlled by contracts.

Business Summary. China Wi-Max provides cable and internet connectivity and value added services to businesses in the major cities of China. They currently hold assets, licenses, & contracts necessary to do business in China. They acquired dark fiber (installed but not connected) that had been recently installed. This fiber is located in the outer

Summary Financials

	Q3 9/30/09	9 mo end 9/30/09	Cumulative Since Inception 7/5/2006
Net Income	(546,169)		(4,277,414)
Cash Flow Operations		(1,083,551)	(2,497,872)
Investing		(13,945)	(889,620)
Financing		1,321,590	3,759,475

Summary Balance Sheet

Cash	371,310
Current Assets	425,080
Total Assets	1,271,989

Accounts

Payable	266,812
Accrued Interest	335,366
Convertible notes	3,273,737

Shareholders'

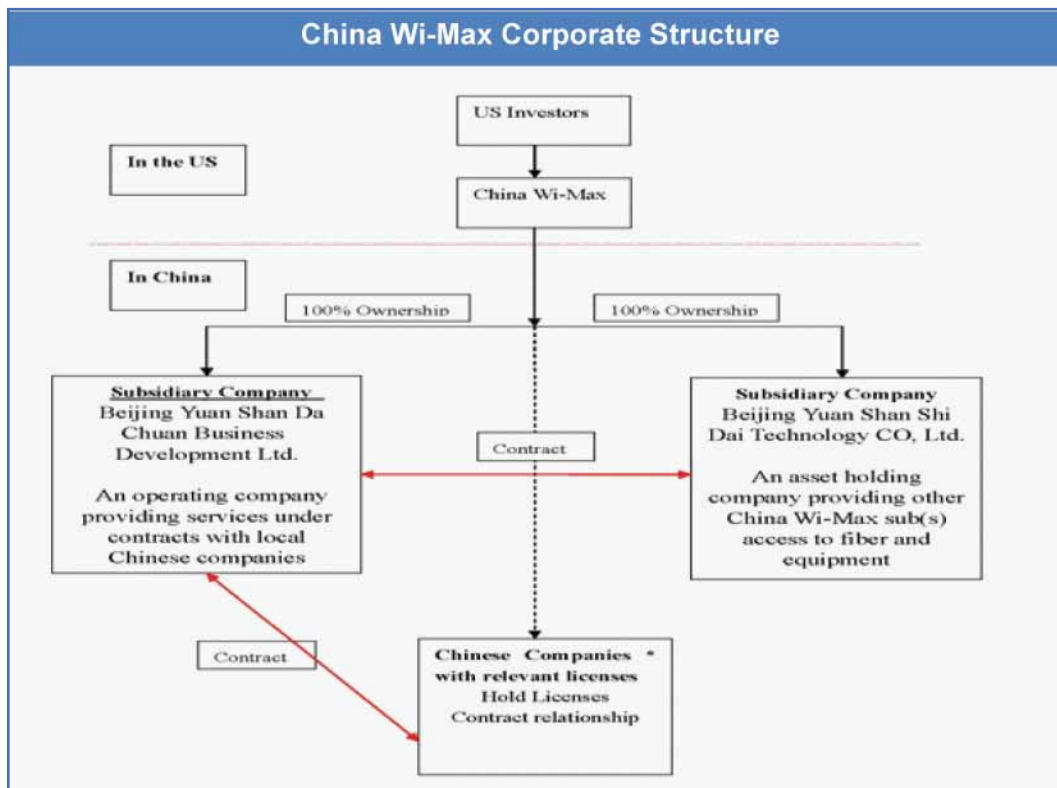
Equity (deficit)	(2,603,926)
Liabilities + Equity	1,271,989

Capital Structure

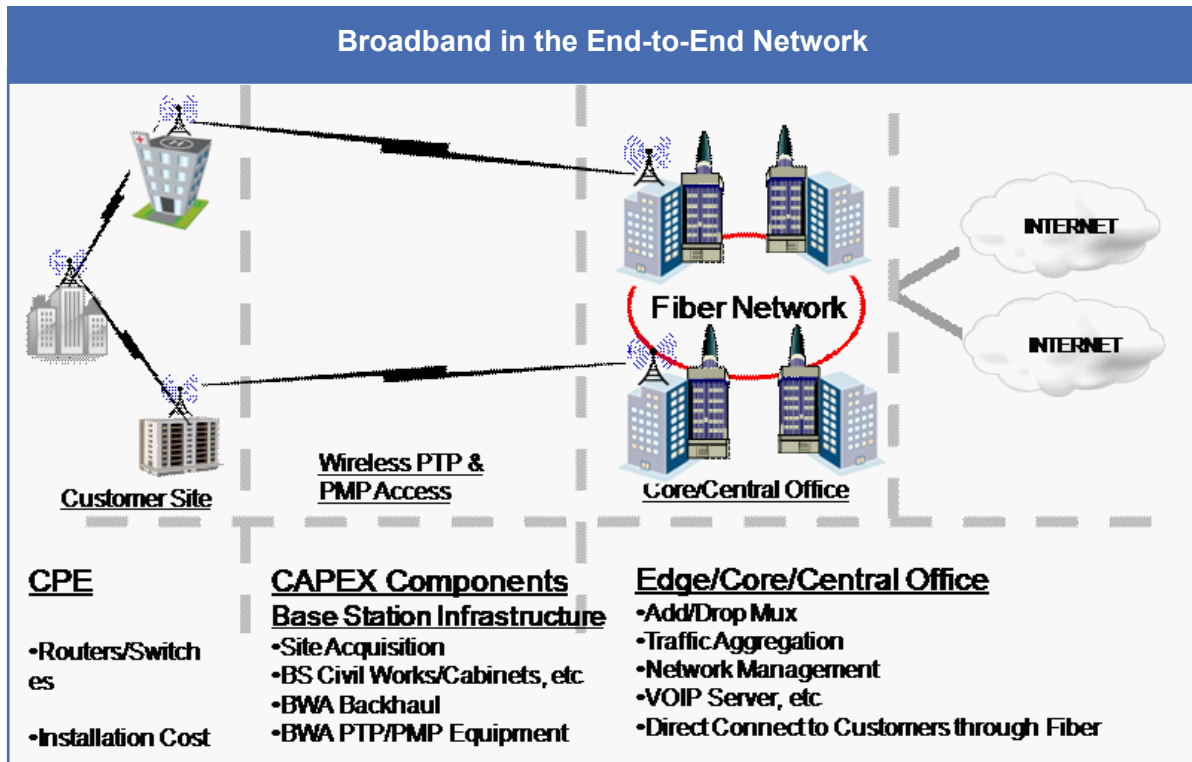
Shares

Shares Outstanding, 10/9/09	14,394,004
Founders/officers/directors	10,785,002
Float	3,609,002
Fully Diluted Share Calculation	
Outstanding 10/9/2009	14,394,004
Conversion of Notes	8,636,410
Options- issued	4,825,000
Total ex new financing	27,855,414

rings around the cities of Beijing, Hangzhou and (option to acquire) in Shanghai. In these locations the buildings are newer (further from the heart of the city) and typically pre-wired for cable making the “last mile” connection cheaply and simply. The wi-max wireless spectrum of 5.8GHz can be used to extend the signal to buildings up to five miles away, or more. The radio signal is sent from one building to the next so that a larger ‘mesh’ network can be created.



*China Wi-Max will consider acquiring an equity interest in companies with relevant licenses and/or contracts



Map of Beijing Showing Location of Fiber Along 4th Ring



Growth plans are to make strategic acquisitions of local operating companies. Management has identified three acquisition targets:

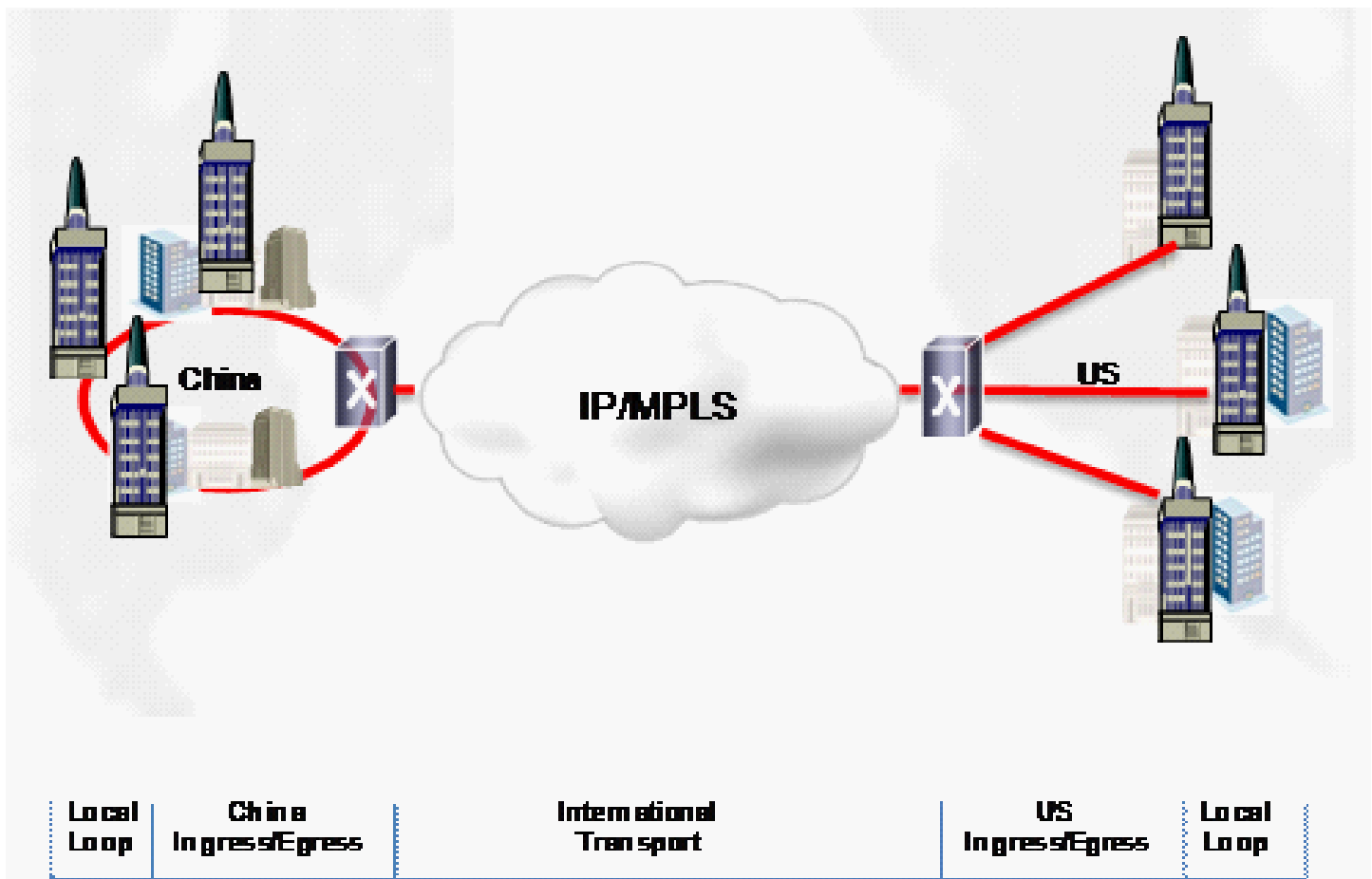
- A Beijing ISP with revenues of US\$1 million/yr.
- A VOIP reseller with revenues of \$5.5 million.
- A telecom engineering company that owns fiber in Beijing and has revenue of about US\$ 5 million

Licenses Held by CHWM or Locally Controlled Entities

1. 5.8 GHz with 125 MHz of spectrum
2. Value added licenses for additional services: Voice Over Internet Protocol, Internet Service Provider, Virtual Private Network
3. Deployment license for the construction and operation
4. Import license for the wireless networking equipment

Revenue Model

- Internet Access The Company will aggregate IP traffic of subscribers to an authorized PRC Internet Transit Provider from the Main POP for that city.
- Virtual LAN/Virtual Private Network (VPN).
 - U.S. to China Virtual Private Service: connect the local loop in China to the loop in the U.S. as described below:
- Wholesale service: attractive to local ISP's who benefit from the higher bandwidth.
- Direct Connection: a local ISP can connect directly to an upstream Internet Backbone Operator, through the Wi-Max fiber network, and benefit from higher performance and service.

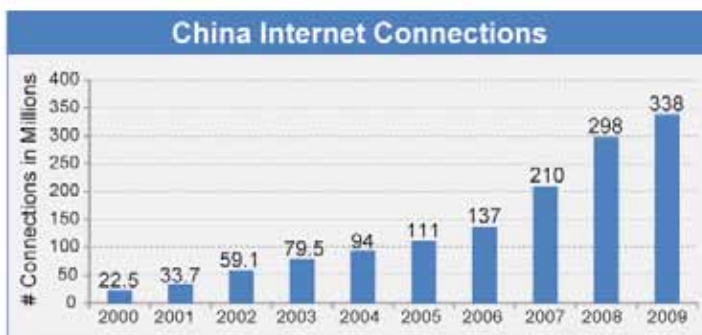


Telecommunications Industry in China

Historically telecommunications were controlled by a single State Owned Entity: China Telecom. The Country leadership decided they needed more competition and in 2002 announced a restructuring plan known as the “Five + One”. They created two mobile companies (China Mobile and China Unicom) plus two fixed line companies (China Telecom-north and China Netcom-south), China Tietong (railway) and China Satcom as the ‘plus one’. In 2008 another restructuring occurred that resulted in only three companies: China Telecom, China Unicom and China Mobile each of whom has a land line and mobile telephone business.

Although telecom and business regulations have been revised substantially, there remain significant regulatory controls in China. Foreign investors can only own 49% of basic telephone service companies but 50% of value-added communications companies.

Recent growth and trends. China has become the largest internet market in the world and have more people connected to the internet than the entire United States population.



Source: China Internet Network Information (CNNI) 24th Survey Report 2009 data as of 6/30/2009, other years 12/31/xx

Despite this phenomenal growth only 25.5% of the population is connected vs. 74% in Japan and 75% in the US. In addition, download rates in China are low in comparison to other countries due to the predominance of DSL lines which have even lower rates at peak usage times:

Network Download Broadband Speed Mbit/sec	
Japan	92
All OECD Countries	17.4
China	4

Source: Organization for Economic Development (OECD)

Mobile internet use is also growing at an astounding rate: 32% in the 1st six months of 2009:

Mobile Internet Users, mil	
12/31/2008	117.6
6/30/2009	155.5
% Growth Annualized	64.5%

Source: CNNI

The reasons for this massive growth are as follows, according to CNNI:

- Reduced fees by major carriers
- Improved phone styling
- Expanded internet content i.e., streaming video and TV

Regulatory. World Trade Organization (WTO). The WTO is the most powerful trade organization in the world and supports liberal trade amongst members, recognition of intellectual property rights and related issues. China joined the WTO in 2001 after ten years of negotiation. A consequence of joining the WTO was that they had to open up domestic industries to foreign investment. In 2009 China published a draft telecommunications Law and on 11/13/2009 the Telecommunications Industry Association published comments on this draft law. A summary of the recommendations were:

- Establish an independent regulator
- Eliminate capital requirements and equity ownership ceilings on foreign investments
- Ensure existing operators do not discriminate against new competition
- Protect the free flow of information
- Adopt global standards developed through consensus driven processes

Competition. Major State telecoms (China Telecom, China Unicom) that offer internet connectivity through asynchronous digital subscriber line (ADSL) service over conventional phone lines as well as E-1 fiber lines. There are other companies that own optic fiber lines as well as wireless licenses. The Company believes they can compete on price and service.

Valuation Four approaches were selected to determine a fair value for CHWM.

1. **Discounted Cash Flow Method.** The Discounted Cash Flow Method (DCF) uses the projected cash flow from the business model (sources are from operations and uses are for capital expense and working capital). The deficiency, if any, is assumed to be provided by investors when needed. A return on investment (IRR%) is calculated as well as a Net Present Value (NPV) assuming a relevant discount rate for the cash flows.
2. **Transaction Multiple.** A large number (258) transactions over the last 14 months were evaluated to determine an average metric (enterprise value to revenue and enterprise value to tangible book value). These averages can be assigned to CHWM either currently or projected within the near future and arrive at a value.
3. **Peer Group Multiple.** A universe of 12 peer companies were selected having revenue under \$6 million and operating in the wireless telecommunications sector and are publicly traded on a US Exchange or over the counter. The average valuation metrics (enterprise value/revenue, enterprise value/assets) was used to determine a value.
4. **Appraisal Method.** A detailed appraisal was made of the physical assets (fiber) and spectrum licenses owned and/or controlled by the Company.

Discussion

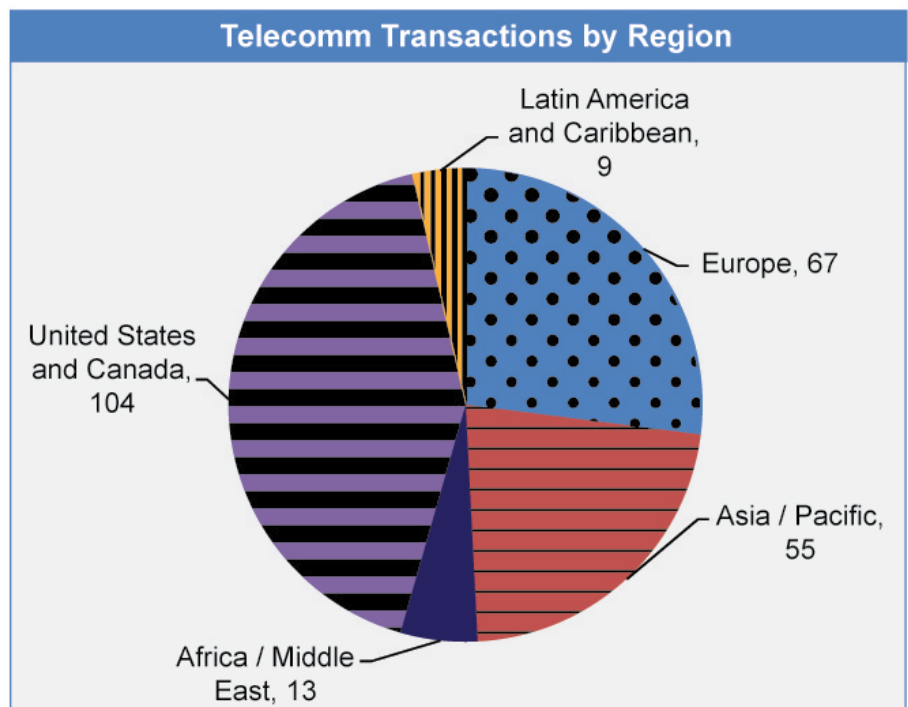
- DCF Method.** A Base Case series of cash flows was developed and then key variables were revised to determine the sensitivity as shown below. The Base Case shows a Net Present Value (NPV) of \$2.03/share well above the recent trading price of \$0.20/share. The sensitivity to 20% lower gross margins (Case A) is to reduce NPV/share by about 35% which is very significant since additional funding is required (and more shares issued) due to lower cash flows. Case B is an upside case where capital expenditures are reduced 20% which results in about a 15% increase in NPV/sh as expected. A 20% lower sales growth rate (Case C) reduces NPV/sh by about 32% which is about the same effect as Case A. In Case D the discount rate is increased 50% to 30% and this has the most significant effect and reduces NPV/sh by about 50%.

DCF Sensitivities					
	Base Case	A	B	C	D
Input Variable					
Gross Margin, 10 yr average	42%	20% lower			
10 Yr Capital Investment,\$mil	25.0		20% lower		
Sales Growth	Base Case			20% lower	
Discount Rate		20%			30%
Output Results					
IRR%	70%	34%	79%	60%	70%
NPV/share	\$2.03	\$1.34	\$2.30	\$1.38	\$0.92
Investment Required (*)	11.0	14.0	7.9	11.7	11.0

(*) Assume 100% equity at \$1/share, no debt

- Recent Transactions.** The Capital IQ data base was searched for telecommunications investments (PIPES and IPOs) over the period 1/1/2009 to 3/3/2010 resulting in 218 transactions (PIPES and IPO's) of \$86 billion capital invested in the last 14 months where a transaction amount was disclosed.

The Asia Pacific region had 55 transactions or about 25% of the global total.



The average Enterprise Value/Revenue for transactions under \$10 million was 6.7 times.

Recent Telecom Transaction Multiples

	Transaction Count	Valuation Multiple	
		EV/Revenue	EV/Tangible Book Value
All Transactions	218	5.9	11.4
Greater than \$1 billion	26	4.1	13.4
Less than \$100mm	136	7.7	13.2
Less than \$10mm	104	6.7	11.4

Source: Capital IQ, 1/1/2009-3/4/2010

Applying this multiplier to next year's expected revenue of \$10 million gives a current value of \$1.23/share. If the discount rate is increased to 30% then the NPV is reduced to \$1.05/share (Case B).

The average of these two approaches is \$1.14/sh.

Valuation Multiple Approach	Year	
	2011	2011
Future Revenue, \$mil	\$10	\$10
Enterprise Value/Revenue Multiplier	6.7	6.7
Future E.V.	\$67	\$67
Less Debt	-\$3	-\$3
Future Equity	\$64	\$64
Discount Rate, %	20%	30%
Equity Present Value	\$44	\$38
# Shares (fully diluted)	36.0	36.0
NPV/sh	\$1.23	\$1.05

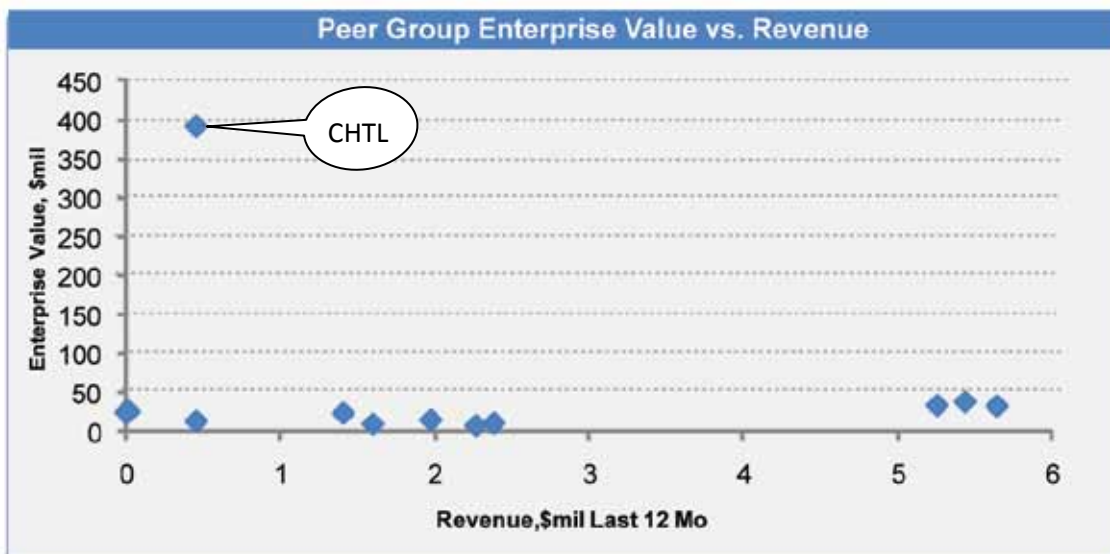
3. Peer Group Comparison. Twelve publicly traded peer companies were selected based on revenue being less than \$6 million and being in the wireless device or service business. A snapshot of the companies is shown below and in more detail in Appendix Table 2.

China Wi-Max Peer Group					
Trading Symbol	Company Name	Recent Price	Avg Daily Volume, last 3 mo, 000	Description	Growth Prospect vs. CHWM
OTCBB:CHWM	China Wi-Max Communications, Inc.	\$0.18	26	Broadband internet connections and services, wireless, in China	Base Case
OTCBB:NXWI	Nexaira Wireless, Inc.	\$0.49	108	Broadband services and devices in US	Equal
OTCBB:ERFW	ERF Wireless, Inc.	\$0.18	293	Broadband services and devices in US-niche segments	Lower
OTCBB:UNLA	Unilava Corporation	\$0.32	42	Telecom and advertising services, US	Lower
OTCBB:PVSP	Pervasip Corp.	\$0.07	58	VOIP, broadband devices and services-US	Lower
OTCBB:VSRV	VoiceServe, Inc.	\$0.35	61	VOIP, broadband devices and services-global	Lower
OTCBB:OMCY	Omnicity, Corp.	\$0.32	15	Fixed wireless ISP-US	Lower
OTCBB:PMOZ	PrismOne Group, Inc.	\$0.41	27	VOIP devices and services-US	Lower
OTCBB:CHTL	China Tel Group Inc.	\$1.13	2,198	Wireless broadband network-China	Equal
OTCBB:GCM1	Geos Communications, Inc.	\$0.14	53	VOIP devices and services-global	Lower
OTCBB:CYNX	CellLynx Group, Inc.	\$0.13	269	Cell phone after market devices	Equal
OTCBB:NPDT	Newport Digital Technologies, Inc.	\$0.02	1,185	RFID and broadband services	Equal
OTCBB:RPTN	Raptor Networks Technology Inc.	\$0.18	331	Broadband devices	Equal

A three year price chart of CHWM vs. this peer group shows both have been very volatile.



A simple chart plotting enterprise value (EV) vs. revenue shows an outlying data point; China Tel Group, Inc (CHTL). This company has an EV eight to ten times that of the peer group companies. Since CHTL is active in developing a wireless 3G network in China it is a relevant company.



The average EV of all peers is \$53 million but excluding CHTL it is \$21.9 million and the median value is \$24.6 million. A subjective rating of the growth prospects of each company relative to CHWM was made: they were roughly classified as either equal or lower potential. The Equal Growth companies had about double the EV for both the average as well as the median value as compared to the Lower Growth companies.

Peer Group Enterprise Value vs. Growth			
	Total Enterprise Value, \$mil		
	Average	Average, ex CHTL	Median
All (n=12)	52.6	21.9	24.6
Equal Growth (n=6)	29.7	35.6	26.2
Lower Growth (n=6)	16.3	N/A	12.6

Three of the twelve peers had no revenue. China Tel Group (CHTL) has \$0.5 million recorded revenue but this is from a subsidiary in Peru for this exercise it is considered to have no revenue.

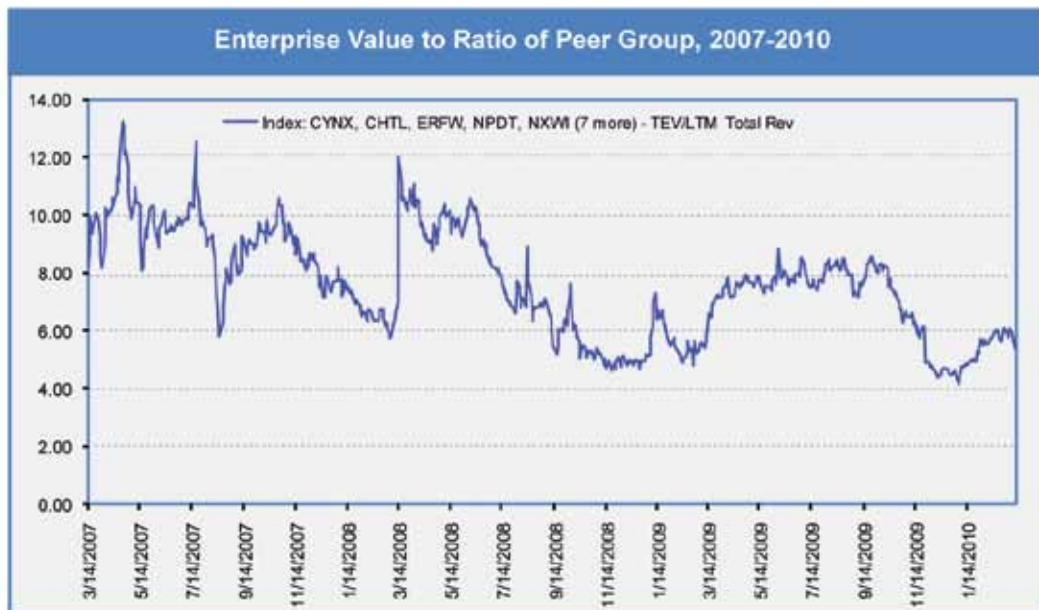
Even when CHTL is excluded the other two pre-revenue firms have EV in the same range as those with revenue which is somewhat surprising. In these cases the market is presumably assuming the revenue is highly likely to occur in the near term. In addition, even the firms with recorded revenue have low values (\$1-5 million) indicating high expectations for future growth.

Peer Group Enterprise Value vs. Revenue			
	Enterprise Value, \$mil		
	Average	Average, ex CHTL	Median
All (n=12)	52.6	21.9	24.6
Pre-Revenue (n=3)	147.5	25.7	26.2
Revenue >0 (n=9)	21.0	21.0	15.4

In looking at the valuation multiple there was no significant difference between the Equal and Lower Growth companies.

Peer Group Enterprise Value to Revenue Multiples		
	Enterprise Value/Revenue	
	Average	Median
All (n=9)	9.9	6.5
Equal Growth (n=3)	9.8	6.5
Lower Growth (n=6)	10.0	16.7

Since this measurement is a point in time it is useful to look at the EV/Revenue multiple for the Peer Group over time. The chart below clearly shows that the current EV/revenue ratio of 6x is near the lowest value seen over the prior two years and the recent average of 8x is closer to the mean of the time period.



In summary, CHWM is justified with an EV of the median of the Peer Group (\$25 million) on a pre-revenue basis.

Enterprise Value, \$mil	\$25
Less Debt	3.0
Equity Value	22
Shares Out, mil	14.4
\$/sh	\$1.52

4. **Appraisal Method.** CHWM has had an appraisal of their assets in the cities of Beijing, Shanghai and Hangzhou. This includes the value of the fiber itself as well as the 5.8GHz licenses. The analysis considered the ability to quickly expand the coverage to adjacent buildings by using wi-max devices to 'mesh' together a larger network. The fiber is in rings around the cities providing quick and low cost access to thousands of business customers. The total value is \$144 million.

China Wi-Max Asset Appraisal				
	Beijing	Shanghai	Hangzhou	Total
Population, mil	17.5	17.1	6.5	41.1
Fiber, km	75.5	110	27.9	213.4
Core	4	4	2	
Value, \$/km	73,152	102,000	102,007	91,795
Value, \$	5,523,000	11,220,000	2,846,000	19,589,000
Spur Expansion, \$	21,120,000	-	5,000,000	26,120,000
Basic Wi-Max,\$		15,390,000		
Wi-Max Expansion,\$	28,800,000	21,120,000	4,500,000	54,420,000
Additional Buildings,\$		28,800,000		28,800,000
Total,\$	55,443,000	76,530,000	12,346,000	144,319,000
% Fiber & Expansions				32%
% wireless				68%
Common Shares Fully Diluted				36,000,000
Appraised Value, \$/sh				\$4
Net Value, \$/km fiber				676,284

Source: Company

Summary and Conclusion. In the DCF Method, Case B (20% lower capital costs) and Case D (30% discount rate) seem most likely. This results in a \$1.08/share present value. See Appendix Table 1. For the Transaction Method, the average of the one and two year look ahead revenue times the historic multiple gives a \$1.14 present value. The Peer Group valuation is \$1.52/share. The appraisal Method is rejected since the \$4 value is substantially greater than the other results. A simple average of Methods 1, 2 and 3 gives a \$1.25/share present value.

Current Valuation Summary	
	\$/share
1. DCF	1.08
2. Transaction	1.14
3. Peer Group	1.52
4. Appraisal	4
Average (1&2&3)	\$1.25

Of course, this valuation assumes the Company is successful in raising necessary funds to meet their working capital needs and capital requirements of the business plan.

The 12-18 month Target Price is determined in two ways:

- 1) Escalating the present value by 30% which is the discount rate used in Methods 1 and 3:
 $\$1.25 \times 130\% = \1.62
- 2) Using the historic Peer Group Multiple of EV/Revenue of 8.0 applied to the 2011 projected revenues:

Peer Group Multiple	
Year 2011	
Revenue, \$mil	\$10
Enterprise Value/Revenue Multiplier	8
Future E.V. YE 2011	\$80
Less Debt	-\$3
Future Equity Value	\$77
Discount Rate, %	20%
Equity Value: YE 2010	\$64 12 months ahead
# Shares (fully diluted)	36.0
Target Price, 12 mo,\$/sh	\$1.78

Since these are close an average value is taken: average of \$1.62 and \$1.78 is \$1.70.

Management

■ **Dr. Allan Rabinoff, Chairman and Executive Director**

Mr. Rabinoff has over twenty-five years of business experience in China and the Far East, including developing international companies and teams. Dr. Rabinoff has been involved in Board and Senior Executive Team member of several Chinese ventures. Additionally, he served as the Chief Operations Officer of In Touch Communications Inc. in Beijing from November 2004 to May 2005. Dr. Rabinoff has accumulated a vast array of contacts in business and government over the last twenty-five years in Asia and has a firm grasp on the requirements necessary to successfully operate in China. In 1975, Dr. Rabinoff earned a PhD from the University of Maryland. He also holds a Master's and Bachelor of Science degree from the University of Wisconsin.

■ **Steven T. Berman, President, Chief Executive Officer and Director of the Company.**

Mr. Berman has a B.A. from the University of Wisconsin in 1984 and a J.D. from the University of Wisconsin in 1987. He served as Assistant General Counsel from 1989-1994 for the National Rural Utilities Cooperative Finance Corp., where he helped launch DIRECTV, the nation's first high powered Satellite Dish Service and WildBlue Broadband Satellite, one of the nation's first two-way satellite-delivered broadband internet services. He became Senior Vice President, General Counsel, Secretary and Treasurer of National Rural Telecommunications Cooperative from 1994-2004. In 2005-2006, he was President and CEO of First Capital Surety & Trust Company. He founded EBC Enterprises, LLC in 2004 as a consulting company.

■ **Frank Ventura, CFO**

Mr. Ventura has over 25 years of experience in telecommunications. He spent twenty one years with Sprint during the "Growth Thru Acquisitions" period when over 147 companies were merged into Sprint. As Vice President and Controller-Chief Accountant Officer, he was responsible for Acquisition Studies and Audits, Accounting System Development, SEC, Consolidation, and Tax. During various periods while at Sprint he was the executive in charge of Flight Operations, System Wide Purchasing, Management Information Systems, Real-estate, and Internal Audit. He was Executive Vice President Administration for two years. After leaving Sprint, Mr. Ventura served as Chief Financial Officer for St. Andrews Telecommunications Inc., and Blue Star Communications, Inc.

■ **Dr. Iain Stewart, CTO**

Dr. Stewart originally trained as a Physicist and Mathematician. He has 28 years of experience in most aspects of system software development, telecommunications and radio transmission. He was awarded his Ph.D. in Physics for developing a technique for measuring the conductivity of doped Germanium over a range of temperatures to 4.2K and developing the mathematical model necessary for the convergence of three theories of electrical conduction. In the 80's, he wrote operating systems, middleware and data-communication protocols for major international corporations including Bell Labs. In the early 90's, he was able to apply this expertise to research in data transport over interference-impaired radio channels which was then used for the evaluation of early digital cellular systems. During the last twelve years, he deployed a CDMA network in the USA - and then designed, engineered, and deployed nation-wide LMDS networks in the Philippines, Switzerland, & Holland as well as a long-distance fiber

network in Poland. He was also involved in a \$7.8B cable upgrade in Germany. Using a proprietary technology, Iain has worked with major U.S., European and Latin American mobile operators to reduce their cell-site backhaul requirements for GSM and UMTS as they migrate to a pseudo wire underlay.

■ **Eric Hager, Business Advisor**

Mr. Hager is an Internet entrepreneur and senior telecom executive with over 25 years of success in start-ups and large organizations. He possesses a rare combination of technical acumen, strategic vision, and financial skills. He has serial successes in technology driven ventures and strategic M & A transactions. Formerly, Mr. Hager was an owner and operator of Expedient Holdings USA, where he was the architect for Expedient's fixed wireless, fiber, and copper based Ethernet transport services. Expedient won Supercomm's 2005 Worldwide SuperQuest Award for Network Design and Services and Lightreading's Leading Lights Award for Best Marketing campaign for Expedient's "Ethernet Anywhere" service. Mr. Hager led product strategy for Livingston Enterprises and Lucent Technologies regarding; IP Service Switches, Media Gateways, and Metro Ethernet. For IP Services, he directed technical and financial due diligence for \$1.5B of Lucent acquisitions. He led worldwide Service Provider Technical Marketing resulting with over \$100M in contract awards throughout US, EMEA, and Asian markets. He developed the strategic relationship with Lucent Technologies, subsequently leading to Lucent's \$600M acquisition of Livingston Enterprises. He was also awarded U.S. and European Patents for Internet call architectures in public networks.

BOARD OF DIRECTORS

Dr. Allan Rabinoff Steven Berman

George "Buck" Krieger Mr. Krieger has an extensive financial background which began at Clayton Brokerage Company, which later became the largest brokerage house in the country dealing exclusively in Commodities. He was Executive VP and National Sales Manager for ten years. After retiring from the brokerage business he began a theatrical Stage lighting company, contracted with numerous major rock 'n roll and country bands and other shows. His career includes invaluable experience in other industries including pre-paid services, insurance, telecommunications, financial services and venture capital. Mr. Krieger has a BS in Economics from Washington University in St. Louis, MO.

Sharon Xiang, PhD Ms. Xiong currently leads and manages system verification of High Density SIP Trunk Gateway at Avaya Communication Inc. Prior to working for Avaya, Sharon worked at Lucent Technologies on 10G optical router (Bandwidth Manager) development and Rhythm Netconnections, Inc in DSL software development. Dr. Xiong is one of the founders and a former board member of the Chinese American Association (CAA) of the Rocky Mountain Region. In addition to CAA, she participated in the founding of the Great Wall Chinese Academy (GWCA) and serves as a board member and current principal. Dr. Xiong is the President of XBC Consulting Firm which offers business consulting services to people who intend to expand their business in China. She has an Executive MBA from the University of Colorado, a PhD from the Medical School at the University of South Dakota, and a BS and MS from Peking University, China.

Risks

- Lack of revenue and development stage business.
- Insufficient funds to implement business plan; need to raise capital to cover expenses and necessary investments.
- Lack of diversification of business.
- Potential dilution from issuing additional shares and conversion of debt.
- Dependence on foreign subsidiaries and contracts to control other entities that own telecom licenses in China.
- Changes in political or regulatory agencies in China could jeopardize the Companies assets and business plans.
- Shares are deemed “Penny Stocks” and subject to regulatory trading restrictions.

CHWM China Wi Max Communication I

3/8/2010 12:25 PM

Last:	Change:	Open:	High:	Low:	Volume:
0.22	↑ 0.03	0.20	0.22	0.20	20,117
Percent Change:		Yield:	P/E Ratio:	52 Week Range:	
15.79%		n/a	n/a	0.18 to 1.01	



About

Venture Research, LLC located at 907 Decatur Street Unit F, New Orleans, LA 70116 is an independent research and consulting firm. We offer equity research services on selected smaller capitalization companies that we believe have exceptional growth potential but typically lack conventional broker/dealer research coverage. Research services are provided on a subscription basis on selected peer group baskets of stocks for institutional investors, broker/dealers, registered advisors and other investors. The Company is not a broker/dealer and does not expect investment banking compensation.

Mr. Mahaffey began his career with Exxon in engineering and later moved into board room level international business development for a major petrochemical company. He conducted merger and acquisition services for The Sterling Group in Houston, TX and led an LBO program for a Boston based investment firm. He worked with an SEC Registered Investment Advisor and has held Series 7 and 65 licenses. He has covered oil and gas, energy and other stocks as an independent equity analyst. He is a private investor in oil and gas prospects. He received a “Five Star” rating from Yahoo Finance for stock performance results. He has co-founded ventures in the gaming, international distribution and oil service industries. He has been quoted in numerous local and international publications including Bloomberg News. Mr. Mahaffey holds a BS in Chemical Engineering from Louisiana State University and an MBA from The Wharton School, University of Pennsylvania. He holds the Chartered Financial Analyst (CFA) charter and is a member of the New York Society of Securities Analysts.

Analyst Certification

The analysts contributing to this report certify that the views expressed herein accurately reflect the analysts’ personal views as to the subject securities and issuers. Venture Research LLC (VR) certifies that no part of the analysts’ compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst authoring this report.

Venture Research LLC Research Universe

VR, covers small and micro cap companies with market caps typically less than \$500 million. Each company is typically covered for at least 12 months. New companies may be added or removed at any time.

Rating System

STRONG BUY The current price reflects a substantial discount from the market and from its peers, and the company does not possess significant financial risk within its risk category. Future growth potential is undervalued relative to the company's stock price. The analyst believes the stock at current levels represents a compelling opportunity for capital gains over the time period to its target price.

Rating Universe		
Rating	# Companies	% of Universe
Strong Buy	1	14.2
Buy	1	14.2
Speculative Buy	3	42.8
Hold	1	14.2
Sell	1	14.2

BUY The current price reflects a discount from the market and from its peers, and the company does not possess significant financial risk within its risk category. The analyst believes the stock at current levels will provide an opportunity for capital gains over the period of its target price. Several factors can indicate an undervaluation of the company's shares.

SPECULATIVE BUY The current price appears to offer potential gains though risk is considerably higher.. There may be insufficient historical data or clear-cut prospects to warrant a "Buy," but the analyst believes that the long run prospects of the Company are positive. The analyst believes its risk/ reward ratio advocates purchase of the stock. In the short term, the stock may be subject to high volatility and continue to trade at a discount to its market.

HOLD The analyst is unable to assign a buy rating due to a number of specified factors noted in the report. These include the stock being fairly valued relative to its peers and the market, or the company may have risks that make it potentially unsuitable for investment within its risk category. Similarly there are no currently known compelling factors that would warrant selling. The analyst will remain neutral pending developments.

SELL The analyst believes that the Company is overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward given its risk category. An investment in the company may produce below market returns and/or deficits.

About Venture Research

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APPENDIX TABLE 1 CHINA WI-MAX COMMUNICATIONS, INC DISCOUNTED CASH FLOW MODEL (CASES B AND D)

	Years Ending December 31										
	Est 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total revenue	0	2,136,411	10,662,138	26,267,113	39,400,669	55,160,937	71,709,218	86,051,061	103,261,273	123,913,528	136,304,881
ARPU		230	271	277	279	276	277	274	272	266	267
Cost of Goods Sold	0	1,797,221	7,028,718	15,544,181	22,038,147	29,926,147	37,577,478	44,218,952	52,638,027	63,240,535	69,564,589
Gross profit	0	339,190	3,633,420	10,722,932	17,362,522	25,234,790	34,131,740	41,832,109	50,623,246	60,672,993	66,740,292
SalesGenAdmin	600,000	2,368,243	4,186,787	5,618,900	5,490,621	5,551,050	5,446,103	5,366,438	5,617,874	6,178,583	4,640,255
EBITDA	(600,000)	(2,029,053)	(553,367)	5,104,032	11,871,901	19,683,740	28,685,637	36,465,671	45,005,372	54,494,410	62,100,037
Dep'n & Amort	0	1,003,923	1,697,512	2,655,650	2,853,797	2,588,211	2,603,909	2,266,293	1,842,565	1,409,442	1,006,347
EBIT	(600,000)	(3,032,976)	(2,250,879)	2,448,382	9,018,104	17,095,529	26,081,728	34,199,378	43,162,807	53,084,968	61,093,690
Tax-loss carry	(3,000,000)	(3,600,000)	(6,632,976)	(8,883,855)	(6,435,473)	0	0	0	0	0	0
Net taxable earnings	0	0	0	0	2,582,631	17,095,529	26,081,728	34,199,378	43,162,807	53,084,968	61,093,690
Fed & St Taxes	0	0	0	0	903,921	5,983,435	9,128,605	11,969,782	15,106,983	18,579,739	21,382,791
Net Profit	(600,000)	(3,032,976)	(2,250,879)	2,448,382	8,114,183	11,112,094	16,953,123	22,229,596	28,055,825	34,505,229	39,710,898
Add depr'n & amort.	0	1,003,923	1,697,512	2,655,650	2,853,797	2,588,211	2,603,909	2,266,293	1,842,565	1,409,442	1,006,347
Sub Capital Expense	(20,000)	(1,711,623)	(2,906,896)	(3,684,487)	(3,217,150)	(3,381,452)	(1,611,460)	(1,076,973)	(758,639)	(758,639)	(606,911)
Sub New Work Cap		(170,913)	(682,058)	(1,248,398)	(1,050,685)	(1,260,821)	(1,323,862)	(1,147,347)	(1,376,817)	(1,652,180)	(991,308)
Free Cash Flow	(620,000)	(3,911,589)	(4,142,321)	171,146	6,700,146	9,058,032	16,621,709	22,271,588	27,762,933	33,503,851	39,119,026
Terminal value											273,833,182
PV of Cash Flows		(3,008,914)	(2,451,077)	77,900	2,345,907	2,439,591	3,443,623	3,549,338	3,403,443	3,159,400	2,837,622
PV of Term Val	19,863,353										
Total PV of Oper'n Assets	35,660,186										
Plus Current Assets	25,000										
Total Mkt Val Assets	35,685,186										
Share Outstanding	33,053,909	includes additional share offerings= 8,053,909									
PV, \$/sh	\$1.08										
IRR%	79%										

APPENDIX TABLE 2 PEER GROUP

(USD in millions, except per share data)

<i>Ticker</i>	<i>OTCBB: CHWM</i>	<i>OTCBB: NXWI</i>	<i>OTCBB: RFW</i>	<i>OTCBB: UNLA</i>	<i>OTCBB: PVSP</i>	<i>OTCBB: VSRV</i>	<i>OTCBB: OMCY</i>	<i>OTCBB: PIMOZ</i>	<i>OTCBB: CHTL</i>	<i>OTCBB: GCMI</i>	<i>OTCBB: CYNX</i>	<i>OTCBB: NPDT</i>	<i>OTCBB: RPTN</i>	<i>Avg.</i>	<i>Median</i>
Company Name:	China Wi-Max Communications, Inc.	Nexaira Wireless, Inc.	ERF Wireless, Inc.	Unilava Corp.	Per-vasip Corp.	VoiceServe, Inc.	Omnicity, Corp.	PrismOne Group, Inc.	China Tel Group Inc.	Geos Communications, Inc.	CellLynx Group, Inc.	Newport Digital Techs., Inc.	Raptor Networks Tech. Inc.		
52-Week High	\$1.01	\$0.71	\$0.50	\$0.55	\$0.40	\$0.46	\$0.95	\$1.20	\$2.00	\$0.85	\$0.34	\$0.06	\$0.48		
52-Week Low	\$0.18	\$0.30	\$0.15	\$0.14	\$0.03	\$0.05	\$0.22	\$0.16	\$0.19	\$0.09	\$0.06	\$0.01	\$0.08		
Daily Volume, mil	0.026	0.05325	0.27466	0.02105	0.01	0.004	0.00306	0.001	1.10784	0.35854	0.07918	3.469	0.09628		
Current Price (3/04/10)	\$0.18	\$0.49	\$0.18	\$0.34	\$0.08	\$0.35	\$0.35	\$0.41	\$1.15	\$0.14	\$0.16	\$0.02	\$0.18		
% of 52-Week High	18%	69%	36%	62%	19%	76%	37%	34%	58%	16%	47%	31%	38%		
% of 52-Week Low	100%	163%	120%	243%	278%	700%	159%	256%	605%	159%	267%	191%	240%		
Total Common Shares	14.39	57.33	144.38	100.05	27.89	32.40	42.80	22.73	170.86	31.67	161.81	1,269.57	81.65		
Market Capitalization	2.6	28.1	26.0	34.0	2.1	11.3	15.0	9.3	196.5	4.3	25.9	23.0	14.9		
Plus: Total Debt	3.3	3.6	8.5	0.0	6.6	0.2	3.3	0.2	215.2	5.7	0.4	1.1	7.9		
Plus: Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.5	0.0	0.0	0.0		
Plus: Minority Interest	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Less: Cash and Equivalents	0.4	0.3	0.2	0.4	0.1	0.2	0.8	0.0	0.0	1.9	0.0	0.0	0.2		
Enterprise Value	5.5	31.4	34.3	34.2	8.6	11.4	17.5	9.5	411.7	13.7	26.2	24.1	22.6		

APPENDIX TABLE 2 PEER GROUP

(USD in millions, except per share data)

Ticker	OTCBB: CHWM	OTCBB: NXWI	OTCBB: RFW	OTCBB: UNLA	OTCBB: PVSP	OTCBB: VSRV	OTCBB: OMCY	OTCBB: PMOZ	OTCBB: CHTL	OTCBB: GCMJ	OTCBB: CYNX	OTCBB: NPDT	OTCBB: RPTN	Avg.	Median
Company Name:	China Wi-Max Communications, Inc.	Nexaira Wireless, Inc.	ERF Wireless, Inc.	Unilava Corp.	Per-vasip Corp.	VoiceServe, Inc.	Omnicity, Corp.	PrismOne Group, Inc.	China Tel Group Inc.	Geos Communications, Inc.	CellLynx Group, Inc.	Newport Digital Techs., Inc.	Raptor Networks Tech. Inc.		
Assets MRQ	1.3	2.7	9.4	5.6	1.5	2.6	3.9	0.4	201.6	5.9	0.3	0.2	1.5	17.8	3.3
Valuation															
Total Revenue, LTM	0.0	5.6	5.4	5.3	2.3	2.4	2.0	1.6	0.5	0.5	0.0	0.0	1.4	2.3	1.8
TEV/Rev, LTM		5.6	6.3	6.5	3.8	4.8	8.8	5.9	NM	29.9	NM	N/A	16.0		
Valuation															
TEV/Revenue	0.0	5.6	6.3	6.5	3.8	4.8	8.8	5.9	NM	29.9	NM	N/A	16.0	9.2	6.1
TEV/Assets	4.3	11.7	3.7	6.0	5.6	4.3	4.5	25.0	2.0	2.3	81.2	114.1	14.8	21.0	5.8
Growth Prospects	Equal	Equal	Lower	Equal	Lower	Lower	Lower	Lower	Equal	Lower	Equal	Equal	Equal		
Notional Traded Volume, last 3 mo, \$mil	0.008	0.067	0.064	0.013	0.004	0.018	0.005	0.012	2.744	0.009	0.048	0.029	0.059		

APPENDIX TABLE 3 CHINA WI-MAX CONVERTIBLE NOTES AND CONVERSION DETAIL

Phase 1 Convertible Note (\$1.043 million, 12% interest, due 12/31/2009, convert at \$0.25/share)	12/31/2007	12/31/2008	9/30/2009
Original Issue, \$	914,000	90,300	
Converted Notes, \$		(84,000)	(337,900)
Accrued Interest-period	16,380	119,613	82,827
Accrued Interest-converted		(13,753)	(65,211)
Amount Owed	914,000	920,300	582,400
Accrued Interest-end	16,380	122,240	139,856

Phase 2 Convertible Note (\$2.03 million, 10% interest, due 12/31/2009, convert at \$0.50/share)	39,447	39,813	40,086
Original Issue, \$	-	1,429,800	1,321,590
Converted Notes, \$			(60,000)
Accrued Interest-period		73,401	190,582
Accrued Interest-converted			(8,279)
Amount Owed	-	1,429,800	2,691,390
Accrued Interest-end	-	73,401	182,303

Total Convertible Debt	914,000	2,350,100	3,273,790
Total Accrued Interest	16,380	195,641	322,159

Shares Issuable Upon Conversion	Conversion, \$/share		Shares
Phase 1-Notes	\$0.25		2,329,600
Phase 1-Accrued Interest	\$0.25		559,424
Phase 2 -Notes	\$0.50		5,382,780
Phase 2 Accrued Interest	\$0.50		364,606
Total			8,636,410