

December 15, 2017

e-mail: gberman@dsi.biz
e-mail: msorenson@dsi.biz

To the Creditors and Shareholders of:

PEARL AUTOMATION, INC.
100 Enterprise Way, Suite A100
Scotts Valley, CA 95066

Re: Status of the Assignment for the Benefit of Creditors

Dear Sir or Madam:

Pursuant to our previous notice, Pearl Automation, Inc. (the “Company”) made an assignment for the benefit of creditors pursuant to California law, in favor of DSI Assignments, LLC, (the “Assignee”) on July 7, 2017 (the “Assignment”). The Assignment was authorized by the Company’s Board of Directors and its shareholders. The Company was party to a secured credit facility with Comerica Bank (“Comerica Bank”), which had a lien on most, but not all of the Company’s assets to secure a letter of credit in favor of the overseas manufacturer of the camera/frame kit in addition to other monies advanced by the Bank. As of the date of the Assignment, COMERICA was owed approximately \$2.35 million plus accrued and accruing interest, attorneys’ fees and other fees and expenses.

Immediately prior to the making of the general assignment, the company completed a sale of inventory to InstallerNet. Comerica Bank consented to this sale and is entitled to the net proceeds after the cost to transport the product to the Buyer. InstallerNet, and/or American Road Products, an entity affiliated with InstallerNet, failed to pay the Assignee for the purchase of the inventory. Efforts to resolve the “dispute” consensually were unsuccessful and the Assignee has filed suit in Massachusetts against InstallerNet, American Road Products, Tony Frangiosa and Stephen Witt. American Road Products was also using the Pearl trademark without permission and the Assignee had the complaint deal with the misuse of the trademark. American Road Products has purportedly sold the inventory to resellers who are now selling the rear vision camera through Amazon. The complaint has not been answered as of December 14, 2017 and the Assignee will take steps to prosecute the complaint and recover the monies for the inventory purchased by the defendants. The Assignee has retained Cerian Technology Ventures to assist in the liquidation of the Company’s intellectual property portfolio. The Assignee is expecting an offer for the source code for the rear vision camera early in 2018.

Attached please find the Statement of Condition which reflects the assets and liabilities for the Company as of the end June 2017 (this Statement is not a complete Balance Sheet). The bar date for return of the proof of claim form is December 19, 2017. Please e-mail any unfiled proof of claim to the Assignee no later than December 27 2017 Creditors who fail to file their proofs of

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claim by this date will not be entitled to share in any distribution arising out of the liquidation of the Company's assets. Additional information regarding this matter can be found on the Assignee's website, <http://www.dsiassignments.com/case.asp?id=102> (Pearl Automation, Inc.).

Please do not hesitate to contact the Assignee's office by e-mail or by telephone at (213) 617-2717 should you have any questions about this matter assignment

Thank you for your consideration and cooperation in this matter.

Very truly yours,

Development Specialists, Inc.
Solely as Assignee for the Benefit of
Creditors of Pearl Automation, Inc.



By

Geoffrey L. Berman

Enclosure (Statement of Condition)

Pearl Automation Inc.
Balance Sheet
7/7/2017

Current Assets	
Bank	
Checking Account - Comerica X6181	\$0.00
Money Market Account - Comerica X6199	\$472,000.00
Total Bank	\$472,000.00
Accounts Receivable	
Accounts Receivable	\$432,543.13
Total Accounts Receivable	\$432,543.13
Other Current Asset	
Undeposited Funds	\$3.12
Inventory : Finished Goods	\$100,000.00
Inventory Freight & Taxes	\$27,898.06
Inventory: Clearing	\$524.92
Prepaid Expenses and Other	\$0.00
Deposits - Current	\$4,000.00
Total Other Current Asset	\$132,426.10
Total Current Assets	\$1,036,969.23
Fixed Assets	
Computer and Peripheral Equipment	\$28,650.36
Computer Software	\$0.10
Lab Equipment	\$67,873.04
Manufacturing Testing Equipment	\$63,440.03
Office Furniture and Fixtures	\$84,491.49
Leasehold Improvements	\$0.00
Total Fixed Assets	\$244,455.02
Other Assets	
Deposits - Non-current	\$38,406.64
Total Other Assets	\$38,406.64
Total ASSETS	\$1,319,830.89
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	
Accounts Payable	\$1,428,956.70
Total Accounts Payable	\$1,428,956.70
Credit Card	
Credit Cards : SVB Credit Cards	\$24,765.26
Total Credit Card	\$24,765.26
Other Current Liability	
Accrued Expenses - Other	\$18,690.00
Sales Taxes Payable CA	\$0.00
Sales Taxes Payable TX	\$0.00
Sales Taxes Payable IN	\$0.00
Deferred Rent - Current	\$28,118.61
Warranty Liability	\$50,796.50
Current Portion - Liability	\$209,044.96
Total Other Current Liability	\$306,650.07
Total Current Liabilities	\$1,760,372.03
Long Term Liabilities	
Secured debt - Comerica Bank L/C	\$2,350,000.00
Non-Current Portion - Liability	\$177,387.04
Total Long Term Liabilities	\$2,527,387.04
Equity	
Common Stock	\$912.73
Common Stock - Additional Paid In Capital	\$1,291,219.00
Series A - Preferred Stock	\$354.69
Series A - Additional Paid In Capital	\$15,137,553.72
Series A - Issuance Costs	(\$96,866.05)
Series B - Preferred Stock	\$432.14
Series B - Additional Paid in Capital	\$35,094,523.31
Series B - Issuance Costs	(\$90,958.30)
Retained Earnings	(\$40,623,641.53)
Net Income	(\$13,681,457.89)
Total Equity	(\$2,967,928.18)
Total LIABILITIES & EQUITY	\$1,319,830.89