



Blue Hydrogen | Carbon Sequestration | Low Emissions Fuel

November 23, 2020

TO: Members of Proteum Energy, LLC
(via email distribution)

RE: 3Q20 Member Report; Amended & Restated Operating Agreement; 2020 Equity Incentive Plan; and Notice to Warrant Holders

Members of Proteum Energy, LLC

Enclosed under this cover is the initial **Quarterly Investor Report** for the third quarter of 2020 (8/1-9/30/20) as well as the other documents referenced above. The initial investor quarterly report was delayed due to the extensive work required to transition the consolidated assets of the debtors to the new company, Proteum Energy, LLC. This process included writing off the liabilities discharged in the reorganization and writing down many of the remaining assets to reflect their current market value. We also worked with the Company's new CPA to close out the debtor's books and establish the new Company's books to reflect the Members as set forth in the Chapter 11 Confirmation Order. With our new systems set up, we anticipate that future reporting will occur within 30 days of the end of each quarter.

The 3Q20 investor report includes a cover letter from Larry Tree, our CEO describing the Company's activities and business model. In his letter, Larry outlines the technological, verification and business development activities that have been fast-tracked to bring our "Midstream Model" to fruition. To finance these activities the company is pursuing several options, including: (1) encouraging exercise of outstanding Warrants by allowing them to be transferred among the Members; (2) a Series B round of financing tentatively priced at \$0.20/U for \$25MM followed by a larger Series C round ; (3) special purpose vehicle (SPV) financing to allow the Company to finance each HDF deployment separately potentially minimizing dilution to existing Members; and (4) possibly a potential "SPAC" (special purpose acquisition company) merger similar to what Nikola Corporation did before it went public. You will hear more about our financing plans on the Company's ZOOM calls and in future reports.

As you know, the Company elected to be taxed as a C-corporation to enable Units issued to you to potentially be Qualified Small Business Stock (QSBS) under Internal Revenue Code 1202. The advantage of QSBS is that if it is held by the Member to whom the company issued it for 5 years and the other requirements are met, all capital gains will be tax free up to \$10MM per Member. The Company's proposed **Amended and Restated Operating Agreement** (A&R OA) reflects the removal of the partnership tax provisions and incorporates the provisions of the First Amendment approved by the Members. Please find the A&R OA enclosed. We ask that you review and sign it, and return a scan of the signed signature page to Kim Pyrtle at kim.pyrtle@proteumenergy.com within the next two weeks.

Included with the A&R OA is the updated **Schedule of Members** dated November 23, 2020. The updated schedule reflects Units purchased by Warrant holders as well as the elimination of H4 LLC's Units in light of the Bankruptcy Court denying its \$4.4MM claim last week. As discussed with Members on the Company's ZOOM calls, the Company elected to clean up its only remaining pre-petition liability (other than the payment plan to the State of Texas), the Pure Power Financial II, Series A loan in the amount of \$3,326,250, by converting the debt to equity on the basis of \$0.05 of the original amount (no interest) in full satisfaction of the 10-year 23% interest note obligation. This conversion will assist the Company in its efforts to gain additional financing. Conversion of this debt to 66,525,000 Units will be reflected in the next update to the Schedule of Members.

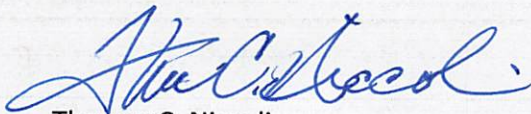
A copy of the **Proteum Energy, LLC 2020 Equity Incentive Plan** (Plan) is also included, which provides a program to align the interests of investors, management, employees, director, and certain consultants to achieve the Company's objectives. As discussed on the Company's ZOOM calls, the Plan makes available up to 10% of the Company's Units to incent participants. The Board believes the program is appropriate and customary for an early-stage company since it enables the Company to conserve cash by keeping payroll costs in check. CH4 Power, LLC has reviewed and approved the plan. We ask that you review it and sign the enclosed **Consent to Equity Incentive Plan**, then return it to Kim Pyrtle at your earliest convenience.

Also enclosed is a form of **Notice to Warrant Holders** which will be sent to Warrant Holders who have not already exercised all their Warrants. What this notice will do is allow Warrant Holders who do not wish to exercise their Warrants to transfer them to other Members of the Company to assure that all Warrants are exercised to provide additional financing for the Company. At an exercise price of \$0.05/Unit we believe the Unit price will be significantly less than the next round of equity funding as the Company makes progress on its business plan.

Proteum Energy's opening book value of \$7,902,475 will be used as the basis for converting the interests of former AGI Class B members (who submitted Class 10 claims in the bankruptcy) to Proteum Energy. Members of Proteum Energy who intend to claim a theft or investment loss will want to share this amount with their tax preparer as well as the Member's percentage interest in Proteum Energy set forth on Schedule A to the operating agreement.

On behalf of the Board of Directors, we thank you for your support of Proteum Energy™ and the development of its business model. We are pleased with the progress to date and excited to realize the opportunities 2021 holds.

Very truly yours,



Thomas C. Niccoli
Chairman of the Board of Directors