EXHIBIT 4

Report to the Shareholders of Organic Energy Corporation

March 2014

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March 7, 2014

Dear Organic Energy Corporation Shareholder:

Up until a few weeks ago, I was employed by OEC, where one of my roles included the rudimentary bookkeeping functions of the company, which I reluctantly assumed from August of 2013 through January of 2014. On Monday, February 10, 2014, I sent a notice to your CEO and one of the directors on the board to inform them that:

1. OEC is an insolvent company; and
2. Many of the CEO's actions *might* be considered questionable.

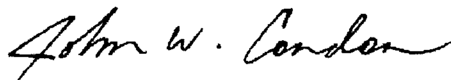
My notice prompted the scheduling of a board meeting on February 20, and when two of the three board members arrived for the meeting, they were fired by your CEO and Chairman. I was effectively fired the next week, so three of us lost our jobs for doing our jobs. As the board was only comprised of three directors, the near total lack of corporate governance that existed before is now complete.

My decision to provide the notice of insolvency and potential questionable acts were prompted by very sobering conversations with the company's CPA who heard me describe:

- how the CEO circumvented the financial controls established by board resolution;
- how the CEO over-paid himself; and
- how the CEO reimbursed himself for expenses that weren't approved or documented and exceeded the standards set forth in the company policy.

I've prepared the attached report to document some of what I witnessed, so my duty to inform you has been met. But the process of researching these issues has brought to light other potential problems. I found instances where representations were made to prospective investors that were knowingly false at the time. I have no idea if these representations were made to you and if you relied on them to make your investment. Regardless, it's time to start asking questions.

Sincerely,



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Introduction

This report describes various acts of the CEO of Organic Energy Corporation raising questions that require a deeper investigation by the shareholders of the company. The primary questions include:

1. Were the fiduciary duties owed to shareholders under Delaware and Texas Corporate Law breached?

2. Were false representations made to investors which they relied upon to make an investment decision?

I am not qualified to answer these questions, so I am providing this report to fulfill what I believe is my fiduciary duty; simply because I am aware of what has occurred. The intent here is to disclose and inform, so others can determine the appropriateness of these acts; and if inappropriate, to what degree. These acts include:

- Compensation paid by the CEO to himself that was not approved, exceeds what was represented to investors, and exceeds the amounts set forth in a contract between the corporation and the CEO;

- Reimbursement of expenses by the CEO to himself without approval, review or supporting documentation;

- Representations made to investors and prospective investors that were not true, and a failure to fully disclose a material obligation of the company that provided direct personal benefit to the CEO;

- Reckless acts performed by the CEO that created material obligations for the company without discussion or deliberation with other officers or directors;

Company

Organic Energy Corporation ("OEC") is a "pre-revenue" company with a portfolio of intellectual property (U.S. patents) that includes the design of a garbage-separating process for the municipal solid waste industry. In the OEC patented process, raw garbage is delivered to an industrial facility where it is loaded onto a system of conveyors that feed a variety of mechanical sorting equipment; separating the garbage into more than 20 commodities. The theory behind the system is that garbage goes to a landfill because it is mixed together and cross-contaminated. However, if it can be cleanly separated back into its individual components (aluminum, plastic, paper, wood, yard waste, food waste, etc.), then it doesn't need to go to the landfill. Instead, the recovered commodities can be recycled, re-used or re-purposed for some beneficial use, such as a feedstock for conversion to power or fuels.

By use of the term "pre-revenue" above, it should be noted that the company does not generate revenue today, has never built a facility, and does not presently have a contract to build a facility.

The company's best potential for a contract is with the City of Houston. OEC has been working with the City for more than two years, but is mired in a protracted Request for Qualifications process that was expected to conclude in the fall of 2013, and now appears to be moving to a Request for Proposal; with an unknown determination date that could stretch through the rest of the calendar year. Twelve respondents participated in the RFQ process and it has been suggested that OEC might be one of six companies qualified by the City to participate in the upcoming RFP process.

The company was formed in 2009 (**Attachment 1** – Certificate of Incorporation) and was reorganized in 2012 (**Attachment 2** - Stock Reorganization Agreement) through a highly questionable agreement, signed under duress, after a dispute between the founding shareholders. The CEO contends that his co-founders tried to steal his company, but the co-founders' counter that the CEO was "spending them into oblivion."

The company raised $1.025 million of capital (**Attachment 3 -** Capital Raise worksheet) between May 16 and October 21 of 2013, through what is known as a private placement under Texas Securities law.

Two of the original co-founders of the company are presently active in the operations: George Gitschel, as CEO and Chairman of the Board; and Larry Buckle as Project Engineer (Mr. Buckle was recently demoted by George Gitschel from Chief Technology Officer and fired from his seat on the Board of Directors.) **Attachment 4** provides a list of names that may be mentioned throughout this narrative and provides a description of their relationship to the company.

Compensation and Expense Irregularities

Although I began working on behalf of the company in the spring of 2012, I did not devote full time to the venture until January, 2013 and I did not begin receiving compensation until August 1, 2013. My roles for the company included assisting with the capital-raise, exploring various energy conversion technologies and acting as a sounding board for the CEO.

On or around July 31, 2013, I was asked by the CEO to take on the additional role of bookkeeping for the company. These duties had previously been performed by the CEO's wife and it was suggested that since we were receiving money from outside investors, this was a necessary change. I agreed to do this on a temporary basis because I was the only person on the team with accounting experience; albeit 26 years ago. (**Attachment 5** - communications with CPA re: 1099 v. employee status).

Creation of Company Policy

Concurrent with the change in bookkeeping functions, it was decided that the company should create a policy statement and establish some financial and accounting controls. (**Attachment 6** – OEC Corporate Policy Statement. Before reading any further, please review the company policy statement and take particular care to read the sections on fiduciary duties under Delaware corporate law. These sections are highly relevant to this report because they describe the concepts of self-dealing and self-interest.)

In attempting to establish accounting controls, the concept of "segregation of duties" was discussed and it was agreed that a simple system employing separate individuals for each function would suffice:

1. One person is the Bookkeeper and records all liabilities
2. One person is the Approver for disbursements
3. One person is the Check Signer (and provides final review for appropriateness)

This system is described on Page 6 of the OEC Corporate Policy Statement (**Attachment 6)** and was discussed during a conference call on September 11, 2013 (**Attachment 7** – Conference Call Details) when it was determined that I, John Condon would be the Bookkeeper, George Gitschel would be the Approver and Larry Buckle would have signing authority; a function that would be

transferred from George and Jacquelyn Gitschel. Everyone on the call agreed to the same, including George Gitschel. In addition, he had supported the notion of this concept in an email to new Series A investors, Dennis Murphy and Mike McNulty (**Attachment 8**).

Intentional Disregard for Financial Controls

In spite of the CEO's written acknowledgement (**Attachment 9** – CEO's signed policy statement) that a segregation of duties was required, he proceeded to intentionally disregard the policy and made no effort to relinquish control of the checking account. Despite being asked to go into the bank with the information provided to him by Larry Buckle (**Attachment 10**), the CEO chose to ignore his commitment and attempted to deflect attention to the issue by demanding that the company search for a new bank (**Attachment 11).**

(After the segregation of duties concept was adopted in the policy statement, time was needed for the CEO and his wife to be removed as signers and to make Larry Buckle the only authorized signer. And since bills needed to be paid, we agreed that I would process checks through the bank's online bill-pay service. Since this was a clear conflict with our segregation of duties concept, I decided to get the CEO's approval AND Larry Buckle's approval prior to processing any payments. This was intended to be a short-term measure until the check signing could be transferred.)

Unfortunately, the CEO never went to the bank to relinquish control of the account and the opportunity to implement these rudimentary controls was completely dismissed by the CEO over an issue in late October. The CEO submitted a request for reimbursement of an expensive computer system (**Attachment 12**). Although I made two attempts to have the CEO's expenses reimbursed, Larry Buckle denied them; first for a lack of receipts (**Attachment 13)** and then (**Attachment 14)** for failure to conform to company policy. I believe he viewed these as excessive because the CEO had spent $5,000 on a computer ($3,600 for the laptop, $900 for a display and $480 for software upgrades – **Attachment 12**) at a time when the company had no revenues; roughly one month after signing the company policy statement.

Larry Buckle insists that he never intended to deny payment of the entire expense report. Rather, he wanted the questionable items discussed. But this never happened because the CEO was furious (**Attachment 15** – Fuck Larry email) at the notion that his expense reimbursement had

been denied. As a result, the CEO's wife wrote a check to him for $9,268.68 (**Attachment 16)** and I was told to stop this practice of seeking Larry's approval for disbursements.

Reimbursement of Expenses without Approval or Documentation

From November 1, 2013 forward, the CEO has submitted expense reports to me, but they do not usually include supporting documentation because Jacquelyn Gitschel was told by the company's CPA, Rachel Fletcher, that George is not required to keep receipts as long as he keeps good records in his Day-Timer. As a result, **most of the expenses for which the CEO has been reimbursed through January 31, 2014 ($72,298** in **Attachment 17) have not been approved, reviewed or substantiated with receipts**.

Reimbursement of Expenses that Exceed Company Policy

Throughout the summer and fall of 2013, and then into the new year, I came across several incidents in which the CEO was incurring expenses that did not conform to company policy. Here are examples:

- In late August, the CEO was scheduled to fly to Philadelphia to meet with a refiner to discuss the development of an OEC facility on surplus land. The meeting was arranged by David Sexton, a consultant to the company and the CEO shared his itinerary with David so that they might coordinate schedules. In a conversation with David while this trip was being planned, David mentioned that he was not going to be able to connect with George and even if he did, he would not be flying first class. I believe that David was put off by the notion that George was flying first class because David had worked very hard for several months on behalf of the company to help raise capital and he knew the company was operating on a shoestring budget. Later, when I was tracking down receipts for George's expense report, I requested a copy of the airfare from Kerri Lippon, OEC's corporate travel agent, and I confirmed that the seat was in first class. However, I did not confront the CEO because he had told me in a previous discussion regarding the company policy statement that he needs to fly first class because he has a 52" chest. Without the extra room, he would not be able to work on his

laptop and that would be a detriment to the company. The receipt for the first class airfare is shown in **Attachment 18.**

- On January 20, 2014, I sent an email to the CEO to notify him of the cash balance (**Attachment 19**). In light of this communication, I was curious to see an email (**Attachment 20)** one week later from the company travel agent, providing a copy of the CEO's airfare for an upcoming trip to New York. At first glance, I thought $1,466 seemed expensive for an advance flight to New York from Houston. When I looked on the receipt, I couldn't see the class of service, so I used the confirmation number to view the itinerary on the United Airlines website and found that the ticket was first class (**Attachment 21**). This was especially irritating because the CEO was starting to inform certain people on the OEC team (Mark Crawford) that they weren't going to get paid because the company was running out of money. Yet, the situation wasn't dire enough for the CEO to fly economy.

- On or about January 21, 2013, while having a conversation with Mark Crawford of OEC, I asked Mark to speak with George about valuation for the upcoming meeting in Dallas with potential investors on Thursday, January 23rd. I suspected that Mark was driving to Dallas from Houston because he had recently started to rent a car for this regular trip because it cost less than charging mileage to the company. As a result, I thought George would be riding with him and the drive would provide a good opportunity to discuss how the company's valuation should be proposed to the investors. However, I was frustrated to hear that George would be flying to Dallas. This seemed irresponsible in light of the fact that we had obvious cash issues and the company was already paying Mark to travel to Dallas in a rented car. To add more aggravation, Don Moorehead had recently explained how he had traveled between Houston and Dallas for something like $9 on the bus. I do not have a record of this flight to Dallas because I was relieved of my bookkeeping duties before this expense was submitted for reimbursement and the travel agent did not send a copy.

- Although I don't have direct knowledge of these acts, history suggests that the CEO has probably booked subsequent first class travel for trips that occurred after I was forced out of the company.

- Despite a section in the policy statement addressing transportation to and from the airport (**Attachment 6** – page 10), the CEO displayed more disregard for company policy through his use of a limousine service. The policy statement is clear that "*Limousine or shuttle service for transportation to/from the airport may be used when the cost of the service is less than the total expense for airport parking plus mileage for a personal vehicle to/from the airport.*" However, the CEO used a limousine service even though he lives only 46 miles from the airport (92 miles @ 56¢ = $51.52) and these were typically overnight trips ($19 per day terminal parking rate at Houston Intercontinental Airport). The limousine expenses ($780) were not listed on the CEO's expense report because they were paid directly to the provider (**Attachment 22**). Although the discrepancy is not material, it illustrates the CEO's pervasive sense of entitlement. As a contrast to the CEO's mindset, travel expenses were incurred around the same time by others on the team who rented a car to drive from Sacramento to Salt Lake City (649 miles) in order to save money for the company; and took the bus between San Francisco and Sacramento because it was the lowest cost option.

Compensation Not Approved and in Excess of Contract

From May 16th, when the first Series A money was received, through September 30, 2013, the CEO received close to $143,000 from the company in the form of compensation and expense reimbursements. (**Attachment 17**)

Despite this cash flow, the CEO called me at the end of September to say that he was out of money and wasn't due to receive his next check from the company until the end of October. As a result, I told him that I would call one of the directors on the board, Don Moorehead, to explain the situation and to explore options.

Don was sympathetic, but he was adamant that a higher monthly salary was not reasonable in light of the fact that the company had no revenues and no projects. In addition, Don was concerned because he did not know what was represented to investors regarding CEO pay and he thought an agreement was already in place establishing the CEO pay at $15,000 per month (**Attachment 23** – CEO Professional Services Agreement).

Since the CEO was due to be paid again at the end of October, we thought it would be acceptable for the CEO to take an advance on his next salary payment. As a result, I processed check number 5017 for $15,150 (salary plus $150 telecommunications allowance) on October 3rd (**Attachment 24**).

At about this same time, the company was preparing to make a presentation to Vulcan Capital. I was concerned that prospective investors might want to understand how the company was spending money and this would reveal a disproportionate amount going to the CEO. As a result, I sent an email expressing these concerns. **(Attachment 25)**

One month later, it became apparent that the CEO's money issues were not going away because I received a call from him in the middle of November saying that he was out of money again. I explained that I felt like he was calling me for approval to pay himself in advance, but I had no authority to approve or disapprove anything he did. Again, I called Don Moorehead and he suggested that the only way out of this situation would be for George to sell some of his personal shares in the company to raise enough cash to pay his personal debts. Unfortunately, there was no new capital coming into the company, so this was not a viable option at the time.

I don't remember if Don Moorehead agreed that George could take another advance, but by this time (mid-November) George or Jacquelyn were writing checks to themselves rather than risk having Larry deny their request as he had done with the computer expenses mentioned earlier. In their defense, they were desperate for cash and since it took a week for a check to arrive if it was processed online, I agreed that it was quicker if they wrote the check for themselves. As a result, Jacquelyn wrote check number 3041 to George in the amount of $15,000 on November 18, 2013 (**Attachment 26**).

I fully expect that George will attempt to turn this against me by claiming that I gave him approval for these advances and expense reimbursements, but I told him repeatedly "I do not have the authority to approve or disapprove anything you do." I was not a director, an officer, or a shareholder of the company.

By the beginning of December, the CEO dropped the pretense of calling to inquire about paying himself in advance. As a result, I was notified of his December salary payment after receiving an

email from Jacquelyn on December 13 notifying me that she had written check number 3045 (**Attachment 27)** to George on December 5 for $15,000.

Earlier that day, George had called me to declare that he was raising his salary to $25,000 per month and that he wasn't going to the board or the investors for approval. His comments that day were consistent with what he said many other times; "I own 68% of this company, so I don't need approval and if anybody doesn't like it, they can go f*&% themselves." In addition, he instructed me not to tell anyone because "it's nobody's business what I pay myself."

At the time, I was indifferent about the CEO's compensation and didn't give much thought to what he was paid, as long as the board or shareholders approved. I expressed similar thoughts to him in my email that same day. (**Attachment 28)**

As described in the email, George assured me that he had spoken to Don Moorehead about this issue of raising his own salary and that Don approved what he was doing. But I later discovered that this was a lie. A subsequent email shows that Don denies approving a raise in George's salary (**Attachment 29**).

It should also be noted that with regard to the CEO's raise to $25,000 per month, this is first seen on December 16, when Jacquelyn wrote a check for $10,000 to George for the balance of his newly increased salary. George is likely to claim that he took these extra $10,000 checks as compensation for fees owed to him for raising capital. But this not logical for three reasons:

1. Jacquelyn's email (**Attachment 27**) clearly indicates that the December payment was for his salary;

2. Jacquelyn's email (**Attachment 30**) indicates again that the January payment was for his salary;

3. I had been accruing fees owed to OEC team members for raising capital (**Attachment 31**). The theory was that the company was willing to pay fees to outside investment banks, so why not provide an incentive to the team? As a result, George was credited for raising $375,000 ($125,000 each from Mike McNulty, Dennis Murphy and Bill Mikulin).

Therefore, I had accrued a fee of 3% or $11,250. This amount does not reconcile with the extra $20,000 paid in December and January.

Through January 31, 2014, the CEO has taken salary from the company in the amount of $181,800 (**Attachment 17**) but his contract with the company (**Attachment 23)** indicates that his salary through January 31 should have only been $120,000 (8 months x $15k). This indicates an **overpayment of $61,800**.

Someone made a cash withdrawal of more than $20,000 from the company bank account on Friday, February 21, 2014. As a result, the discrepancy in his compensation has increased.

Transfer of Bookkeeping Duties and Disclosure of Questionable Acts

Since taking over the bookkeeping functions in early August, I was becoming increasingly uncomfortable with the CEO's actions; including what I was hearing about his personal spending and his lack of discipline when it came to company funds and incurring obligations. But I will address these issues in other sections of this report (Rumors of Personal Spending and Reckless Acts).

With the end of the calendar and fiscal year, it was clear that financial reports should be produced for existing shareholders and prospective investors. However, I was not capable of doing this because I am not proficient with the QuickBooks software and I lacked the experience to ensure that certain transactions were being recorded in conformance with Generally Accepted Accounting Principles.

I notified the CEO of my desire to transfer the bookkeeping duties to someone more competent and he consented (**Attachment 32**). In the process of preparing for the prior year end, I had several conversations with the company's CPA, Rachel Fletcher of VT Williams & Associates. Through the course of these conversations, I expressed my concern about the way certain actions were handled, such as the CEO's compensation, his reimbursement of expenses without any legitimate review, and the CEO's intentional circumvention of the accounting controls that we had tried to implement. At one point, she became very serious and advised me to seek personal

legal counsel (**Attachment 33**) and although I have not done so, I was very troubled by the potential implications.

From that point forward, I decided that the best course of action was to provide her firm with full disclosure so the appropriate parties could review how things were handled and then make a determination as to whether they were proper or improper.

These conversations and email communications with Rachel Fletcher began during the last week of January and continued into the first week of February (**Attachment 34).**

I did not notify the CEO of these conversations with the CPA until Monday morning, February 10 and in retrospect, I suspect I had more than I could stomach as a result of a few conversations the previous Friday evening:

- Mark Crawford sent an email **(Attachment 35)** earlier in the day to express his concern about getting paid at the end of February. He explained that he was worried because George told him the company only had about $60,000 left (it was $130,000) and unless he raised more money, he was not going to get paid. After seeing the email, I called Mark to provide some moral support because Mark was leading the effort to raise money and was having more success than anyone. Yet, George had a long history of treating Mark like a doormat. I told him that I thought he was misinterpreting what George said because I think he really meant to say that no one was going to get paid unless the company raises more capital. I didn't want Mark to feel he was being singled out.

- Around 7 pm CST, I received a call from George and without so much as a "hello," he asked "did you talk to Mark?" I told him that I called Mark Crawford in reference to his email earlier in the day. George immediately asked "have you told him what I'm paying myself?" and I said "he didn't ask." George said, "Good. Don't tell anyone because it's nobody's damn business." George then proceeded to do what he has done so many times before with everyone else on the team; he went into the most vicious and personal attack imaginable against Mark, saying deplorable things like "Mark is a complete loser and has never been successful at anything he's ever done", and "Mark has absolutely no idea how to qualify investors and couldn't close a deal if his life depended on it."

- Then George proceeded down another well-worn path that everyone on the team has heard too many times to count: "I'm the only one on this team that can do anything," "I've been working my ass off for 100 hours a week for more than 20 years without pay" and this went on and on.

Decision to Notify the Board of Insolvency

In light of what I'd witnessed regarding George's spending, his disregard for investor interests and how fast this company was deteriorating, I decided that Monday, February 10 was the day I needed to inform him and the board that this company is insolvent, it needed an insolvency plan of action and the questionable acts of the CEO needed to be reviewed, so an objective party can determine whether they were appropriate.

As a result, I called George on Monday morning to tell him what I was about to do and he started screaming at me, so I started screaming back and when he wouldn't stop screaming to let me respond, I simply hung up.

My email shown in **Attachment 36** is what I sent to George and Larry Buckle and the emails in **Attachment 37** depict communications with George subsequent to that day.

I did not include Don Moorehead in my notification to George and Larry for two reasons:

1. Don had called me the previous Friday afternoon to explain that George had told him that he could not pay him due to a lack of funds; and

2. Don had unreimbursed wages and expenses totaling more than $100,000.

As a result, I thought Don lacked independence and it could be argued that he has a bias against George. Therefore, I suggested that he be removed, so that George could have an unbiased review. I was subsequently corrected by George (**Attachment 38**).

As I understand it, Larry Buckle provided an agenda, scheduled a meeting of the board of directors for Thursday, February 20 and flew to Houston to attend the meeting. When he and Don arrived, they were greeted by Jacquelyn and George, who proceeded to read from a script and fired both of them from the board. The agenda for the meeting is shown in **Attachment 39**.

I have not spoken to George since Monday, February 10, but his emails (**Attachment 40**) make it clear that he is retaliating against me for bringing these issues to light. As part of this retaliation, I have been notified that the company does not have the funds to pay me and to honor my contract. Ironically, the company had ample funds for his compensation, as illustrated by a $20,000 cash withdrawal from the bank on Friday, February 21.

Potential Misrepresentations to Investors

Investors deserve full disclosure and transparency, so it seems sensible to question whether the CEO misled or failed to fully disclose material information to investors that could have affected their decision to invest. These questions are relevant in three areas:

1. Projects represented as "Late Stage" in the materials presented to investors;
2. A false representation that was made to a prospective investor stating that the company has already secured its first waste supply contract; and
3. A material obligation hidden in the Stock Reorganization Agreement.

Late Stage Projects

There have been so many versions of investor materials presented to different prospects that it is nearly impossible to determine what was represented to any individual. Further, unless each investor is polled, it would be difficult to determine what a particular investor relied upon to make their investment decision. In any event, **Attachment 41** depicts a table on Page 12 of a Series A investment offering created on 7/11/2013 that may have been given to investors.

Active Project Pipeline – Late Stage

Costs, Revenues and Earnings for Five 2,000 TPD Plants with Separation and Anaerobic Digestion ($MMs)[1, 2]

Location	Plants	Financed Cost	Year 1 Revenue[3]	Year 1 EBITDA[3]
Lancaster, CA[4]	1	$160	$101.2	$75.8
El Paso, TX	1	$160	$83.2	$56.7
Houston, TX	1	$160	$66.2	$39.6
Ft. Worth, TX	1	$160	$80.3	$53.7
Austin, TX	1	$160	$85.9	$59.7
Total	5	$800	$417	$286

By early to mid-July, it was clear that a project would not be advanced in Lancaster because the city had far less waste than originally suggested (400 tons per day vs. 800 tons) and the city was providing no written evidence of a desire to move forward. As a result, the team agreed to draft a letter to the Mayor, which was composed by Larry Buckle (**Attachment 42**) on July 18, but the CEO declined to send.

As noted in the Capital Raise Worksheet (**Attachment 3**), $950,000 of Series A Capital came into the company from mid-July and through October, but we don't know what was represented to investors or whether they were informed that this project was dead.

Aside from Houston, no other project in this table could be reasonably considered late stage. No letter of intent, memorandum of understanding or other written evidence existed to illustrate a genuine interest from these cities in developing an OEC facility. More likely, several encouraging conversations took place with staff who have no authority to incur obligations on behalf of the municipality.

Misrepresenting the Status of the Company's First Waste Supply Contract

In an email from June, 2013 (**Attachment 44**), the CEO states "*Against all odds, we have our first project supply contract in place. We will have 2-3 more supply contracts in place, before the end of the year.*" Even today, the company does not have its first project supply contract in place and there was almost no possibility that the company would secure two to three more. Even though this prospective investor did not invest, these statements raise the question of what was represented to other investors. (This prospective investor may be an investor in an entity that has a vested interest in the Houston project as represented by the marketing agreement with MSWS.)

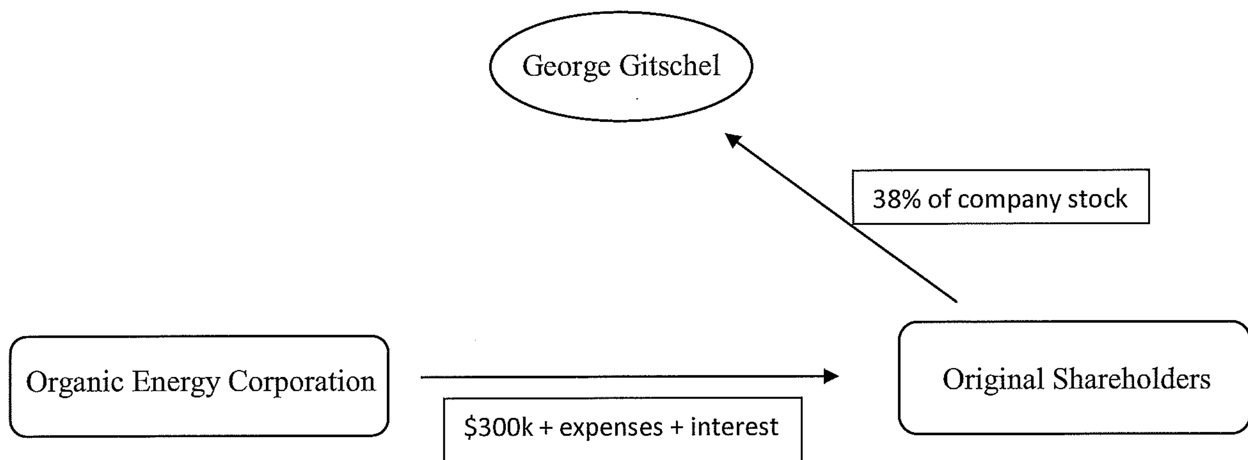
Failure to Disclose Material Obligation in the Stock Reorganization Agreement

As noted elsewhere in this report, the company was reorganized in June, 2012 after a dispute between the original shareholders that resulted in a reorganization memorialized in the related agreement (**Attachment 2**). Although there is no way to know what was disclosed to investors, it should be known that the agreement obligates the company to expend capital to the personal benefit of the CEO.

> 3. Promissory Note. Since neither George Gitschel nor the Organic Energy Corporation have the cash to purchase the stock, this agreement shall act as a promissory note to each selling stockholder and a legal obligation for payment from the Organic Energy Corporation. All payments for stock shall become due and payable when OEC secures corporate financing or earnings. Until such time as final payment is received, all selling stockholders shall receive interest of 5% per annum which shall be due with the stock purchases payments. As a minimum, the first 50% of the sale value (including interest) shall be paid when OEC receives
>
> $1.5 million in corporate financing or earnings and the remaining balance (including interest) shall be paid when OEC receives an aggregate total of $3 million in corporate finance and/or earnings. All payments and accrued interest shall become immediately due upon 36 months of execution of this agreement or if OEC enters bankruptcy, enters receivership, or closes. Nothing in this provision will be construed as obligating OEC to make payments to shareholders that are not permitted by law.

The agreement is clear that upon raising capital from investors, the original shareholders will be compensated for their shares by OEC. However, there is a problem because the company does not benefit from the transfer of these shares. Instead, the shares go directly to the benefit of George Gitschel; the individual. In other words, Mr. Gitschel is upgrading his personal ownership basis from 30% to 68% and using new investor money to do so.

Consideration is a fundamental tenet of contract law, so it seems plausible that this agreement could be determined to be invalid. Clearly, Mr. Gitschel is benefitting from the stock purchase, but he gives no consideration. And while the company is giving consideration to the original shareholders, the company receives no benefit. As a result, the transaction lacks due consideration and therefore, may be void.



Reckless Acts

In addition to the issues raised elsewhere in this report, the CEO has acted recklessly on many occasions by obligating the company to material liabilities without the deliberation that shareholders deserve. A few examples include:

IH2 License Agreement with CRI Catalyst Company

The CEO has committed the company to a $2.4 million obligation for a biofuels technology license agreement with CRI Catalyst Company, a wholly owned subsidiary of Royal Dutch Shell.

System	License	Basic Design Pkg	Total
Showcase	$ -	$ 150,000	$ 150,000
Commercial	$ 1,734,480	$ 600,000	$ 2,334,480
	$ 1,734,480	$ 750,000	$ 2,484,480

Upon receipt of the original contract from CRI, the CEO asked the OEC team to provide comments, which they did. But then it was determined that the company should spend $5,000 for a legal review from Patrick Lynch, a Crowell Moring attorney. Mr. Lynch responded with extensive mark-ups, but the CEO decided CRI would never consent to these extensive changes and might be offended. As a result, the CEO agreed to accept one change, making the contract assignable to the project entity. After the change was incorporated, he signed it and submitted it to CRI without any further consultation or deliberation.

Upon execution of the agreement, a $75,000 payment became due, but the CEO was unaware of the financial obligations to which he had just committed the company. Although the initial payment was postponed, it was eventually submitted by OEC in December, 2013. The contract has been amended to postpone other payments, but it still creates an overwhelming liability for the company. Approximately $473,000 is due on September 2, 2014 and the balance of nearly $2 million will be due when CRI delivers engineering packages and fulfills other obligations.

Disregard for Attorney Time and Expenses

The legal expenses of the company are staggering. Despite paying down significant amounts, the company still owes more than $60,000 to Workman Nydegger, the patent attorneys; and $60,000 to Shartsis Friese, a San Francisco firm that represented the CEO in his dispute with the original shareholders.

More recently, the company was billed over $19,000 for legal fees from Crowell Moring that represents only one month of billings (January 2014). A review of the invoices (**Attachment 43**) shows that about half of these fees relate to the Houston RFQ and conversations the CEO had with attorneys expressing his frustration at how this process was being conducted. Unfortunately, the company incurred significant expenses to learn that municipalities have very broad discretion in the procurement process; a premise already known and stated by the rest of the team.

The other half of the fees were incurred for a Crowell Moring attorney's time spent escorting the CEO around New York City, making introductions to JP Morgan, TPG and Morgan Stanley to discuss a leveraged buy-out of Waste Management and Republic Services in three to five years. All of this for a company with no revenues, no projects, running out of cash, and being led by a CEO flying first class with a $750 an hour attorney in tow.

Even when the reckless acts did not obligate the company financially, the company was put at-risk of losing major development opportunities and prospective investors:

Banned from City of Houston Meeting

On December 31, 2013, I received a call around 5 pm CST. I noted the time because the person on the other end was calling from the City of Houston and was still in the office on New Year's Eve. This individual called me in confidence because he/she mistakenly suspected that I might have the ability to influence the CEO and he/she had some critical information that needed to be conveyed. In short, he/she made it clear that if OEC wanted to survive to the next round of the RFQ process, George Gitschel could not be allowed to attend the next meeting scheduled for early January. If George insisted on attending, he/she guaranteed that OEC would be eliminated.

The reason given was certain people on city staff viewed George as "abrasive, condescending and offensive."

Inability to control anger with prospective investors

In June, 2013 after a long courtship that was clearly not bearing fruit, the CEO was drawn into a confrontation by a prospective investor who copied George on an email intended for his investment partners. Although Mark Crawford and I begged him not to respond, George couldn't walk away. The emails speak for themselves (**Attachments 44**)

Eliminating company e-mail for Larry Buckle, Don Moorehead and John Condon

After dismissing Larry Buckle and Don Moorehead from their seats on the Board of Directors, it was discovered that e-mails sent to OEC accounts for those persons and John Condon, were kicked back to the senders as undeliverable. In what could be viewed as a punitive act, the CEO risked damage to OEC by terminating a widely used method of communication with potential project developers, investors, and municipalities. For example:

- Don Moorehead is the primary contact for project opportunities in New York City, Boston, Toronto, Baltimore, Northern New Jersey and Albany;

- Larry Buckle is the primary contact for project opportunities in Indonesia, the Philippines, Thailand, the Czech Republic, Russia, Canada, Mexico, India and with the Stanford Woods Institute for the Environment;

- John Condon is the primary contact for project opportunities in San Diego, Philadelphia and Orlando.

Rumors of Personal Spending

This section of the report may be irrelevant or inappropriate to include, but it provides context for the CEO's notion of financial responsibility. It was a concern among OEC team members that the CEO's excessive spending could create problems. I can't produce documentation to support these conversations because I never had access to personal finances. However, I mention them here, so others might determine their relevance.

1. There are many inconsistencies between the CEO's personal financial distress and the amount of money he claims to have invested in the company. On various occasions, including presentations to investors and throughout the emails attached to this report, he suggests that he has given everything to this company and invested millions of dollars of his own money, and has almost gone bankrupt in doing so. However, this is not consistent with what has been recorded on OEC's books. The CEO claims to be owed more than $350,000 for expenses (expenses that have never been documented) that he incurred while building the company, but were not reimbursed. This simply doesn't correspond with the millions he claims to have invested.

2. When money from the Series A capital raise started to come in and throughout the ensuing months, I became uncomfortable with several things I heard:

   a. In July, George called me from his auto mechanic's shop and was elated because he was finally getting the air conditioning fixed in his Porsche. Although I was happy for him because he had been driving around for months in Houston without A/C, he mentioned that the mechanic wanted to install some type of new microchip in the car that would boost the horsepower from something like 450 to 550 and it would only cost $800. George's response was "how can I not do that." (The payment to Motorwerks on July 26 can be seen on **Attachment 17**)

   b. George called another day and was excited because he had money again and this allowed him to call his favorite vineyard (Larkmead?) and get back on their exclusive wine allocation list. Apparently, he had to give this up when he couldn't afford it. But now that he was back on it, he was thrilled that his first shipment was a half-case of cabernet and it only cost $1,400. In a subsequent conversation with another team member, I was told that this was not a one-time purchase, but an on-going monthly expense of perhaps more than twice this amount.