

January 5, 2018

e-mail address: gberman@dsi.biz

TO THE CREDITORS AND EQUITYHOLDERS OF :

LIGHTSAIL ENERGY, INC.
914 Heinz Avenue
Berkeley, CA

Re: **GENERAL ASSIGNMENT FOR THE BENEFIT OF CREDITORS**

Please be advised that Lightsail Energy, Inc., a Delaware Corporation (the “Assignor”, “Company” or “Lightsail”) executed a general assignment for the benefit of creditors in favor of DSI Assignments, LLC (the “Assignee”). on December 22, 2017. This action was taken and approved by a majority of the shareholders and the Board of Lightsail.

The Company developed compressed air energy storage technology as well as high-pressure gas storage and transport products. The Assignor was obligated to certain lenders (the “Lenders”) under the Amended and Restated Note Purchase Agreement dated October 10, 2017 with Khosla Ventures IV, LP as collateral agent, who has asserted a security interest in all assets of the Assignor. At this time the amount of the secured claim is asserted to be \$18,918,174.30. The Assignee and its counsel will review and verify the Lenders’ security documents to confirm the validity of the asserted lien against the Assignor’s assets. Assuming the Lenders’ security interests are as represented to the Assignee, the Lenders will have priority to the proceeds of the liquidation of the Assignor’s assets until their secured claim is paid in full.

At about the time that the Company decided to close the business, they undertook an effort to find a buyer for the business. That effort proved unsuccessful. Immediately prior to the making of the general assignment, the Company reached an agreement with a newly formed subsidiary to acquire all of the Company’s assets from the Assignee for \$850,000 credited against the Lenders’ secured claim. Additionally, the acquirer funded the final payroll for the Company and the fees and costs of the general assignment and also executed a Consent and Subordination Agreement with the Assignee to allow the Assignee to administer the estate.

The Assignee has retained the law firm of Finestone Hayes LLP to serve as its counsel in this assignment estate. The Assignee will oversee the liquidation of the Assignor’s assets and the distribution of those assets to the creditors based on such creditor’s relative priorities, including the validity of the liens asserted on the Assignor’s assets as noted above. The initial review of the Lenders’ security interest has not revealed any issues with the asserted secured claim. The review however continues.

SAN FRANCISCO

150 Post Street, Suite 400 • San Francisco, California 94108-4716 • Telephone: 415.981.2717 • Fax: 415.981.2718 • www.dsi.biz

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The Assignee is investigating whether or not there are any remaining assets including causes of action that that could be monetized for distribution to creditors. The Assignee will notify creditors as to any proposed sale or monetization of assets, if any, once it is known. The sale, or collection, of these assets will be applied to the Lenders' valid secured claim, if determined to be valid, until all such secured claims are fully satisfied. After all secured, administrative and/or priority claims are satisfied, any remaining funds will be distributed, pro rata, to valid and timely submitted unsecured claims as directed below.

For those of you unfamiliar with general assignments, the process is similar to liquidations administered under Chapter 7 of the Bankruptcy Code. However, California law controls rather than federal bankruptcy law. Experience has proven that in circumstances such as those in this instance, estates administered through general assignments typically return a greater recovery on the assets of the estate quicker and more economically than the bankruptcy process. There is no guaranty, however, in light of the outstanding and potential secured indebtedness that there will be any recoveries for general unsecured creditors at this time. Creditors should note that California law provides for an assignee to recover preferential transfers made by the Company within the ninety days immediately prior to the making of the general assignment. No review of the transactions that may qualify as recoverable under California law has been undertaken yet.

Attached hereto is a form Proof of Claim by which creditors can file their claims with the Assignee. If you have received this letter, you may be a vendor of the Company or otherwise a potential creditor. Please note that pursuant to California law (*see* Code of Civil Procedure §1802), the last day to file proofs of claim in this estate is **June 20, 2018** (the "Claims Bar Date"). **Creditors who fail to file their proofs of claim by the Claims Bar Date will not be entitled to share in any distribution arising out of the liquidation of the Company's assets should there in fact be any funds available for distribution to unsecured creditors**, and shall be deemed to have waived any right to recover from the liquidation should there be proceeds beyond that owing the Lenders or any priority claimant.

The Assignee will accept proofs of claim via facsimile, e-mail, or through our website so long as they are received by the Claims Bar Date, June 20, 2018, and the original signed proof of claim is received by the Assignee within ten (10) days thereafter. Claims will not be deemed to be valid unless they include copies of your supporting invoices or statements; please attach all such supporting documentation with each filed claim. The fact that the Assignee is accepting proofs of claim is not a guaranty that there will be any recovery by unsecured creditors from the liquidation of the assets of the Assignor.

Information regarding the general assignment may also be found at www.dsiassignments.com/Cases/107. Creditors can also contact A. Kyle Everett (keverett@dsi.biz) or Joseph Zagajeski (jzagajeski@dsi.biz) regarding this matter

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After returning the completed and executed Proof of Claim, together with all necessary supporting documentation, creditors are requested to advance their files approximately thirty days, pending our next report.

Very truly yours,

DSI Assignments, LLC, solely in its capacity
as Assignee for the Benefit of Creditors of Lightsail Energy, Inc.

A handwritten signature in blue ink that reads "Geoffrey L. Berman". The signature is written in a cursive style with a long, sweeping tail.

By

Geoffrey L. Berman

Enclosure: Proof of Claim Form