

SHAREHOLDER UPDATE

On June 25, 2014, Lindon Group Inc. and Alternative Hydrogen Solutions, LLC announced commencement of Army-Funded testing of the Hy-Impact System. On July 28th, technicians from AHS/HTI, arrived on site to install the Hy-Impact system on the gen-sets for the U.S. Army *Program Management-Mobile Electric Power* (PM-MEP) funded evaluation. AHS/HTI was given July 25 - August 1 to install and tune the applications prior to the commencement of the evaluation. During this week the Hy-Impact system was not able to make any improvements in emissions or fuel economy on the two units provided for testing. It was also noted that the Hy-Impact system, even with very high amounts of hydrogen added, also did not affect emissions or fuel economy. Research and previous testing had shown that too much hydrogen makes fuel economy worse on applications in past years leading our technicians to the conclusion that less is better. **The fact there was no change at all led to the conclusion that the ECM of the generators was compensating to maintain a constant load.** The evaluation was to commence on August 4, 2014, however as the first day of testing commenced, it was decided there was no reason to continue the testing because it was agreed by all present that a positive result would not be recorded. This provided opportunity.

The monies allocated by the government for this testing were only partially used. The monies to acquire the emissions equipment and the generators supplied along with the “breaking in” of the engines were the only monies spent. As a result, the ball, so to speak, is back on the side of AHS/HTI’s court in regards to action.

AHS/HTI has been requested to demonstrate that the technology works on a mechanical engine that is not governed by an ECM. Upon successful demonstration, AHS has been informed through the Lindon Group that the remaining monies allocated for the original testing would be used in securing a mechanical engine without an ECM or bypass the ECM of the current units available and conduct a test that replicates the successful demonstration provided by AHS/HTI.

A lot of money and time over the past three years has been contributed by shareholders of HTI, management of HTI and members of HTI's joint venture partner AHS to get to this point. Regardless of the past, the only way the future of HTI can have a possible positive result is with more funding. It should be noted that failure of the demonstration is also possible, however, HTI's experience in agriculture, an industry with a wide array of mechanical applications, gives a reasonable amount of confidence of the technologies impact on a mechanical engine with no governing system.

As of now, there are no more funds, resources or man power to comply to the request of Aberdeen to demonstrate that the Hy-Impact technology can have a positive effect on emissions and fuel economy on a mechanical engine.

The successful demonstration will need to be done by a credible qualified independent engineer that has already been identified and would be a willing facilitator with the required compensation. A successful demonstration under the direction of this qualified individual would likely continue testing that was halted at Aberdeen and could possibly open the door to accounts that could yield a revenue stream and/or attract more investment dollars.

As mentioned before, HTI and its joint venture partners have exhausted all means to raise the needed resources to retain the qualified expert and implement the successful demonstration needed. Management of HTI is at an impasse of the next steps to take, so its management is reaching out to its shareholders for suggestions for ideas that may lead to a course of action.

What is needed for the demonstration is

1. Credible Independent individual to conduct the demonstration.
2. Secure a mechanical generator or stationary engine.
3. Videography personnel to record the event.

After presenting the demonstration to Aberdeen, then funds would be needed to send personnel to Aberdeen to assist with testing on a mechanical engine or the current units already procured bypassing the ECM or a combination of both.

At this time, there are no more steps HTI can take except to reach out to its shareholders. Without capital, there is no future for the technology or HTI. HTI also has creditors that are watching for any money to come in, so whatever solution is established and pursued, the course of action would require being protected by a trustee that would control the funds and report how those funds are spent.

HTI uses the OTC website to update shareholders. This service is paid through December 31, 2014. The cost to continue the service is \$4500. If a solution is not found, HTI does not have the money to renew the subscription. The termination of the subscription will end HTI's ability to update shareholders to information.

HTI also has legal matters that require attention in the very near future. Attorney fees must be brought current in order to continue to protect HTI's interests.

HTI management welcomes any ideas from its shareholders. Management wanted to host a conference call for shareholders, but unfortunately, a shareholder conference call is too cost prohibitive. HTI management does not have the resources to cover the cost for the conference call service or to order a NOBO list that would be required to confirm attendees to a conference call. As a result, any suggestions or comments should be emailed to c.coats@hyimpact.com. This is the only viable way HTI can receive input from its shareholders at this time.

