

TERM SHEET- CONTINENTAL WATER RECYCLING, LLC

\$9,000,000 Investment

“Disruptive Water Treatment Technology lowering OPEX Costs for Oil and Gas and providing High Quality Produced Water Recycling”

Tranche 1 (Minimum Offering): \$5.75 Million- Class A / Tranche 2: \$3.25 Million-Class B

**Investment Term: 7 Years -Preferred Annual Return 12% -1st Tranche; 10%- 2nd Tranche
Cumulative but not compounded on unreturned capital contributions.**

Minimum Subscription: \$50000;

**Monthly Distributions- 100% to Class A and B Members for \$9 Million Capital Payout
After Payout: 60% to Manager (Class C) and 40% to Class A and B**

**Bonus Depreciation: Can be used in first year -up to 92% of Investment-\$ for \$ reduction in Passive
Income for Tax Purposes**

Manager Option upon Termination: Right to buy Assets for 100% of Appraisal.



CWR has been formed by three well-established entities:

- Young Oilfield Solutions Inc. dba Remote Energy Services,
- DBE Hytec Ltd and
- Hydrous Management Group LLC,

which collectively will manage the Company through their wholly-owned management company, Continental Water Recycling Management, LLC (“CWRM”), a Texas limited liability company. The three companies have over 75 years of combined professional engineering and experience in the treatment of water and specifically produced water from the oil and gas industry.

Management: CWRM	<ul style="list-style-type: none">• <u>Existing On-the-Ground Operations</u> - <u>Remote Energy Services</u> is an established oil field services company based in the Permian Basin in West Texas and will operate and maintain the Company’s water treatment equipment. Remote has treated over 200 million bbls of produced water and generated \$25 million of revenue in the last 3 years• <u>Technology</u> - <u>DBE Hytec</u> controls a patented water treatment technology (RSL Membranes™) now recognized globally by major oil and gas companies as the best applied treatment technology for oil and gas produced water.• <u>Permitted Facilities</u> - <u>Hydrous</u> controls two wastewater disposal sites serving the active Permian Basin of Texas and New Mexico. Hydrous has signed an exclusive 5-year agreement with CWR where CWR will treat produced waters delivered to these two sites by oil producers.
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The Technology	<ul style="list-style-type: none"> • RSL Membranes™ are displacing all other forms of water treatment technologies that separate solids and oil from water. The RSL Membrane™ is a robust and simple method of water treatment that will improve the economics of existing oilfield operations and simultaneously satisfy ESG targets. 																								
Business Opportunity	<ul style="list-style-type: none"> • Focus: Produced Water treatment from oil and gas operations in Texas and New Mexico Permian Basin • The Produced Water Society projects 2021 fracking water demand will be 25.2 billion gallons of water in CWR’s Service area. To date only 10% of this water is sourced from treated recycled produced water and 90% from fresh water sources. The industry wants 100% treated recycled produced water for fracking. Under this investment offering CWR’s maximum 100% annual capacity is 0.9 Billion gallons (3.6% of the market) • RSL Membranes are essential for the treatment of all four water management options. <ol style="list-style-type: none"> 1. Water flooding: A high water quality standard is needed for water flooding RSL Membranes™ treats water that meets or exceeds these standards. 2. Fracking in Shale: New quality standards are now in place for treated produced water to be used as fracking water. RSL Membranes™ exceed these standards. 3. Injection into saltwater disposal wells (SWD): Well injection is a highly regulated disposal method. New Mexico will not permit any new SWDs. High pressure (2,500 psi) pumps result in high energy consumption and local earth tremors. To reduce pressure, the water must be treated prior to disposal. RSL Membranes™ will provide the required treatment. 4. Reusing the water for irrigation or drinking water supply. This option is the ultimate objective. RSL membranes™ are needed as a pretreatment step for any technology used to produce irrigation or drinking water. 																								
Use of Proceeds	<p>The cost of the equipment to be purchased by CWR is as follows</p> <ol style="list-style-type: none"> 1. RSL Membranes™ - two mobile units - \$6.1 million 2. Ancillary Equipment – \$2.3 million 3. Fees and Contingency -\$0.6 million. <p>Total: \$9,000,000</p>																								
Financial Model	<p>The table below provides a snapshot of CWR’s potential cash flows based on treatment units’ utilization. Revenue is based on \$0.35/bbl for the sale of fracking water and \$0.15/bbl tipping fee at the Permitted Facilities. Based on 100% Capacity in Year 3- Projected IRR >27% (does not include bonus depreciation benefit)</p> <table border="1" data-bbox="451 1518 1393 1707"> <thead> <tr> <th colspan="4">Annual Cash Flow vs % of Capacity</th> </tr> <tr> <th>Revenue (note1)</th> <th>% Capacity (note 2)</th> <th>BBL/Day</th> <th>Cash flow</th> </tr> </thead> <tbody> <tr> <td>\$3,150,000</td> <td>25.00%</td> <td>15,000</td> <td>\$738,252</td> </tr> <tr> <td>\$6,300,000</td> <td>50.00%</td> <td>30,000</td> <td>\$1,961,384</td> </tr> <tr> <td>\$9,450,000</td> <td>75.00%</td> <td>45,000</td> <td>\$3,835,201</td> </tr> <tr> <td>\$12,600,000</td> <td>100.00%</td> <td>60,000</td> <td>\$5,709,019</td> </tr> </tbody> </table> <p>Note: All assumptions and capacities used for the cash flow cannot be guaranteed.</p>	Annual Cash Flow vs % of Capacity				Revenue (note1)	% Capacity (note 2)	BBL/Day	Cash flow	\$3,150,000	25.00%	15,000	\$738,252	\$6,300,000	50.00%	30,000	\$1,961,384	\$9,450,000	75.00%	45,000	\$3,835,201	\$12,600,000	100.00%	60,000	\$5,709,019
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ESG’s	<p>This Offering facilitates Oil and Gas Entities to satisfy Corporate Environmental Social Governance Objectives</p>																								
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RISK FACTORS

THE FOLLOWING DISCUSSION OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE COMPANY. PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE CONTINENTAL WATER RECYCLING I, LLC PRIVATE PLACEMENT MEMORANDUM, THE COMPANY AGREEMENT, AND SHOULD CONSULT WITH THEIR OWN LEGAL, TAX AND FINANCIAL ADVISERS BEFORE DECIDING WHETHER TO INVEST IN THE COMPANY.

There is an extremely high degree of business risk. The Company is a small and new enterprise that plans to purchase mobile water treatment units, which will be manufactured by the Company's Management group and then operate those Continental Water Recycling I Units (the "Units") servicing retail customers. We will be in an industry which contains numerous specialized water treatment local and regional competitors, and includes larger national E&P companies that may enter into competition with us. There can be no assurance that we will successfully own and operate the Units, that our services will be accepted in the market place or that our mobile water treatment recycling operations will be successful.

There is no assurance that the Company will achieve positive cash flow. The Company is a start-up enterprise that will have a cash flow dependent upon the receipt by the Company of income from services to be provided in the future. No other person or entity will be responsible for payment of liabilities of the Company. There is no assurance that the Company will be able to achieve and sustain a cash flow sufficient to support operations or to pay distributions. It is possible that you could lose some or all of your capital investment.

Our business is difficult to evaluate because we do not have an operating history. You have limited information upon which to evaluate the risk of an investment in the Company since we have not yet begun significant operations. In addition, our business plan involves an investment in a unique concept.

Investors must determine the suitability of an investment in the Units. The Units are not suitable for, and will not knowingly be sold to, anyone who does not meet certain suitability standards. An investment requires careful and informed study with respect to each purchaser's individual tax and financial position and, accordingly, each prospective purchaser is urged to consult with his accountant or financial planner prior to making a decision to acquire Units.

Our estimates of the need for water treatment recycling facilities may not be accurate. Changes in methods of drilling or changes in technology could lead to a lower requirement for drilling fluids or to a lower production of produced water. This in turn could result in a lower demand for our services than we presently anticipate. If there is not sufficient demand for our services, we may not be able to operate profitably and our business may fail.

We are not certain of market acceptance of our services. We have not performed scientific, empirical or other forms of detailed market analysis to demonstrate the level of local or regional acceptance for the Company's services other than our subjective observations and conversations with members of the oil and gas industry. Oil and gas operators may have long-term contracts with, or affiliations with, other water disposal or treatment companies, and may not use our services. There can be no assurance that the Company will be successful in marketing its services.

No Offer or Solicitation: *This is neither an offer to sell nor solicitation of an offer to buy any security. Any such offer can only be made to verified accredited investors by a confidential private placement memorandum and all exhibits, attachments and supplements thereto. Certain statements contained in this material may constitute "forward looking statements." Any such statements, performance projections and results have been based upon assumptions, which might vary materially from actual events and do not constitute a prediction or representation as to actual performance. The offering of Units has not been registered under the Securities Act or any state securities laws. The Units are being offered in reliance on the exemption from registration provided by Rule 506(c) of Regulation D under the Securities Act for transactions not involving a public offering and in reliance on similar exemptions under state securities laws. The Units are subject to restrictions on transferability and may not be transferred or resold except as permitted under the Securities Act, applicable state securities laws and the Company Agreement in the form annexed as Exhibit A to the Private Placement Memorandum. Investors will be required to bear the financial risks of the investment for an indefinite period of time.*