Blue Earth, Inc.
Form 10-K
March 16, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-54669

BLUE EARTH, INC.

(Exact Name of Registrant as specified in its charter)

Nevada	**8700**	**98-0531496**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

2298 Horizon Ridge Parkway, Suite 205

Henderson, NV 89052

Telephone: 702-263-1808

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(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.001 Par Value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates or an aggregate of approximately 63,764,005 shares (based on 72,549,095 issued and outstanding) computed by reference to the $2.45 per share price at which the common stock was last sold as of June 30, 2014, the last business day of the registrant s second fiscal quarter was $156,221,812

As of March 9, 2015, there were 94,532,600 shares of Common Stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

In accordance with General Instruction G (3) of Form 10-K, certain information required by Part III hereof will either be incorporated into this Form 10-K by reference to the registrant s definitive proxy statement for the registrant s 2014 annual Meeting of Stockholders filed within 120 days of December 30, 2014 or will be included in an amendment to this Form 10-K filed within 120 days of December 30, 2014.

BLUE EARTH, INC. AND SUBSIDIARIES

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PART I

Forward Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements relate to future events or future predictions, including events or predictions relating to our future financial performance, and are generally identifiable by use of the words "may," "will," "should," "expect," "plan," "anticipate," "believe," "feel," "confident," "estimate," "intend," "predict," "forecast," "potential" or "continue" or the negative of such terms or other variations on these words or comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks described under "Risk Factors" that may cause the Company's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In addition to the risks described in Risk Factors, important factors to consider and evaluate in such forward-looking statements include: (i) general economic conditions and changes in the external competitive market factors which might impact the Company's results of operations; (ii) unanticipated working capital or other cash requirements including those created by the failure of the Company to adequately anticipate the costs associated with acquisitions and other critical activities; (iii) changes in the Company's corporate strategy or an inability to execute its strategy due to unanticipated changes; (iv) the inability or failure of the Company's management to devote sufficient time and energy to the Company's business; (v) the failure of the Company to complete any or all of the transactions described herein on the terms and times currently contemplated; (vi) competitive factors in the industries in which we compete; (vii) changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); and (viii) other capital market conditions, including availability of funding sources. In light of these risks and uncertainties, many of which are described in greater detail elsewhere under Risk Factors, there can be no assurance that the forward-looking statements contained in this report will in fact transpire.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. We do not undertake any duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or changes in our expectations.

Item 1. Business.

Overview

Blue Earth, Inc. and its subsidiaries (the Company) is a comprehensive provider of energy efficiency and alternative/renewable energy solutions for small and medium sized commercial facilities and industrial facilities. The Company also owns, manages and operates independent energy generation systems constructed in conjunction with these services.

The Company has expanded its comprehensive energy solutions offerings through strategic acquisitions of companies that have been providing energy solutions to an established customer base or have developed a proprietary technology that can be utilized by our customers to improve equipment reliability, reduce maintenance costs and provide a better overall operating environment. The acquired companies operational activities are being conducted through the following six business units: Blue Earth Solar; Blue Earth CHP; Blue Earth EMS; Blue Earth PPS; Blue Earth Capital and Blue Earth EPS. Blue Earth EMS, Blue Earth EPS and Blue Earth PPS are part of the Energy Efficiency and Technology operating segments. Blue Earth Solar and Blue Earth CHP are part of the Construction operating segments. As energy sales come online from facilities owned and built by the Company s Blue Earth Solar or Blue Earth CHP business units, a third operating segment is expected to be introduced. The primary strategic objective for the respective business units is to provide services which establish and build brand awareness about the comprehensive energy efficiency and alternative/renewable solutions provided by the Company to its existing and future customers.

The Blue Earth Solar unit of the Company has built and owned a 500,000 watt solar powered facility on the Island of Oahu, Hawaii, which it sold in 2014. Blue Earth Solar has also bought and sold the Lenape II solar project in Indianapolis, Indiana and is acting as the engineering, procurement and construction (EPC) contractor for the latter project. It has also built, operates and manages seven solar powered facilities in California and is designing and permitting numerous other projects. Our turnkey energy solutions enable our customers to reduce or stabilize their energy related expenditures and lessen the impact of their energy use on the environment. Our services offered include the development, engineering, construction, operation and periodic warranty maintenance and in certain cases, financing of small and medium scale alternative/renewable energy plants including solar photovoltaic (PV), Combined Heat and Power (CHP) or on-site cogeneration, See Corporate Strategy below. Although the Company has a limited operating history and limited revenues in comparison to the size of the projects it has undertaken, as a result of the Company s acquisitions, it is staffed with personnel experienced in Solar and CHP.

The Blue Earth CHP unit builds, owns, operates and/or sells the energy plants or builds them for the customer to own. As we continue to expand our core energy services business as an independent energy producer, we intend to sell the electricity, hot water, heat and cooling generated by the power plants that we own under long-term energy purchase agreements to utilities and long-term take or pay contracts to our industrial customers. The Company also intends to finance alternative and renewable energy projects through industry relationships. In the fourth quarter of 2014, Blue Earth CHP added personnel and facilities enabling it to develop, construct and maintain back-up generators and cogeneration systems in the New York metropolitan area. This broadens Blue Earth CHP offerings to include co-generation systems and back-up generators for commercial buildings in addition to the industrial manufacturing facilities already served by BE CHP.

The Blue Earth EMS unit provides our customers with a variety of measures to improve the efficiency of their facilities energy consumption by designing, developing, engineering, installing, operating, maintaining and monitoring their major building systems, including refrigeration, lighting and heating, ventilation and air-conditioning. We offer our utility customers energy efficiency programs, such as our proprietary *Keep Your Cool*® refrigeration program, adopted by many utilities in California, targeted to their small and medium-sized commercial customers. Our utility based, rate-payer incentive programs are designed to help commercial businesses use less energy through the upgrade of existing equipment with new, more efficient equipment that helps reduce demand for electricity, lower energy bills and also enable utilities to satisfy state-mandated energy reduction goals. In addition to designing and administering the utility program, we perform the technical audits, sell the program to the commercial customer and in most instances, provide the installation of the equipment. The Company also provides refrigeration and HVAC service to many San Franciso Bay area and San Diego area customers.

Proprietary technologies owned by the Company are the PeakPower® System (Blue Earth PPS unit) and the UPStealth® System (Blue Earth EPS unit). The PeakPower® System is a patented demand response, cloud based technology, that allows remote, wireless monitoring of refrigeration units, lighting and heating, ventilation and air conditioning with a potential market of thousands of facilities, such as super markets and food processing, restaurants and C-stores, drug and discount stores. The Company is making some system changes before a commercial roll out. The technology enables the Company s business unit, Blue Earth PPS, to provide energy monitoring and control solutions with real-time decision support to protect our customers assets by preventing costly equipment failures and

food product losses. Our PeakPower® System also serves as a platform to enter into long-term services agreements that allow most types of refrigeration equipment failures to be predicted, thereby enabling preventive servicing based on need rather than periodic, unscheduled and costly service calls.

Management believes based on its knowledge of the industry, that the patent pending UPStealth® System is the only energy efficient, nickel zinc digital battery backup management system designed to power signalized traffic intersections during loss of utility power. This system has been tested, approved and installed in several cities and municipalities throughout the United States. The Company intends to use the proprietary PowerGenix nickel zinc batteries, described below, to produce intelligent digital nickel zinc storage systems, using the Company s proprietary intellectual property. The UPStealth® System is a nickel zinc battery backup system designed as an alternative to lead-acid battery backup systems, enabling the Company s business unit, Blue Earth EPS, to provide its customers with an environmentally friendly product that is completely recyclable with no issues of hazardous out-gassing, corrosion, flammable or explosive characteristics.

The innovative UPStealth® nickel zinc battery backup management system can be formed in various configurations that allow the intelligent battery to bend around corners and fit into spaces that cannot be accessed by traditional battery backup systems. Compared to lead-acid battery backup systems, the total cost of ownership for the UPStealth® nickel zinc battery system is typically less, requires less maintenance, performs several years longer, and eliminates costly hazardous disposal issues. There are several other market verticals where we believe both of our proprietary technologies can be applied, separately, or in combination, as a viable, cost effective solution, as described below under Corporate Strategy.

Corporate Strategy

Our strategic objective is to provide our customers with turnkey energy solutions and help them identify and maintain low cost or even no cost savings opportunities to reduce or stabilize their energy related expenditures and lessen the impact of their energy use on the environment.

Key components to our corporate strategy include the following:

Our primary focus in the near term is expected to be organic growth within our construction operating segment, which includes combined heat and power (CHP), solar engineering, procurement, and construction (Solar EPC) and our energy efficiency (EE)/technology operating segment; although we continue to evaluate and consider strategic acquisition opportunities. Our organic growth focus in each of these areas is summarized as follows.

1) CHP or Cogeneration: Our business model is to construct and own, on a customer s site under a long term lease, CHP or cogeneration systems, selling the thermal power to the customer and the electricity to the customer and the utility grid under long term power purchase agreements (PPAs). We have targeted initially large companies within the food-processing sector. The Company is currently building an energy plant which we are designing, building, owning and operating for JBS Food Canada, (JBS) a wholly-owned subsidiary of JBS USA Holdings Inc., a large U.S. and international protein provider. The energy plant is built on land leased from the host and the thermal and electric power is to be sold to the host under long term PPA s with electricity sold to the local utility in certain cases. On August 28, 2014, the Company announced it had signed an energy purchase agreement and land lease agreement with JBS in Brooks, Alberta, Canada to design, build, finance, own and operate a $29 million cogeneration energy facility which the Company expects to commence operations in 2015. The PPA agreements with our customers will be on a take or pay basis at a guaranteed discount rate from what they currently pay to their local utility providers.

Effective December 1, 2014, Blue Earth, Inc. through its subsidiary, Sumter Heat & Power, LLC, a Nevada limited liability company, entered into an energy purchase agreement and land lease to engineer, design, build, finance,

construct, own and operate a co-generation energy plant to be located at Pilgrim s Pride Corporation s (Pilgrim s Pride) facility in Sumter, South Carolina. Pilgrim s Pride agreed to purchase thermal energy from this CHP facility. Pilgrim s Pride is a subsidiary of JBS Holdings Inc., and is one of the largest chicken producing companies in the world. This is Blue Earth s initial energy plant and is expected to be completed in or about the first quarter of 2015.

Blue Earth s, Sumter, South Carolina, co-generation energy facility will utilize methane made from Pilgrim s Pride s digester for useful purposes such as hot water, electricity generation, as well as useable gas that can be used in the plant boilers. Insulated hot water storage tanks will also be part of the project to upgrade the current thermal system. Currently the methane is flared off into the environment. This system supports the sustainability efforts of Pilgrim s Pride. All electrical energy generated by the co-generation facility will be sold to Duke Energy under a power purchase agreement.

In December 2013, and the first quarter of 2014, the Company ordered generators, costing approximately $7.8 million for several energy plants for which the total cost is expected to be approximately $32 million. The Company made the equipment installment payments and construction costs from cash on hand. The Company raised equity to build its first energy plants through an aggregate of approximately $24 million warrant exercise from June 2013 to September 2014. In November 2014, the Company sold $10 million of equity to fund capital expenditures and other operating expenses in connection with its CHP and solar projects. The Company will install, own and operate the systems at Alberta, Canada and Sumter, South Carolina selling thermal and electric power to the customer under ten year power purchase agreements with provisions for ten year extensions. The electricity generated from the energy plants is sold to the host and/or utilities on power purchase agreements. The units are modular, so construction is primarily assembly that is expected to be completed with energy revenues from the Alberta, Canada and Sumter, South Carolina plants commencing in 2015. The Company employs large engineering companies for selected engineering and procurement activities as budgeted and planned. The EPC contractor for Alberta is DCO Energy, as described below, and the EPC contractor for Sumter is Stellar Energy.

The purpose of the Company s 2013 acquisition of IPS Engineering Inc. (IPS) and Global Renewable Energy Group Inc. (GREG) now known as BE CHP, was to acquire the plans and development of the above described CHP projects and the relationship with the customer. As a result of this acquisition, the percentage of the Company s total assets represented by construction in progress assets of $46,290,402 at December 31, 2013 and $56,022,580 at December 31, 2014, was approximately 54% and 55%, respectively. The Company recognized revenues of $11,444 and a net loss of $319,931 for the year ended December 31, 2013 and $-0-, and $704,029 for the year ended December 31, 2014, from Blue Earth CHP.

2) Solar EPC: Our initial strategy was to joint venture with under-financed solar developers in order to gain EPC gross margins that exceed the 8-12% common within the industry. However, a new solar management team was installed by the Company starting in February 2014 and based on their experiences the Company s focus has shifted to also include larger utility scale projects. The Company has constructed seven (7) solar projects in California, and is designing and permitting numerous other projects, including many solar projects in Hawaii. The Company has also signed a letter of agreement that provides the Company with the exclusive rights to acquire six projects in Mexico, totaling 273 MW s that are in various stages of development. Four of the projects are utility scale solar projects (totaling 105 MWs) and two are utility scale wind projects (168 MWs). Under the Agreement, if the transaction closes following due diligence, of which there is no assurance, the Company will issue shares of common stock and enter into a project development agreement for $2.5 million in cash.

On July 2, 2014, Lenape II Solar LLC, a Nevada limited liability company and wholly owned subsidiary of BE Solar (the Lenape II Sub) entered into a definitive asset purchase agreement with New Generation Power LLC (NGP) to acquire the Lenape II solar project in Indianapolis, Indiana. On November 3, 2014, the Lenape II Sub entered into a Lease Agreement for the purpose of constructing and operating a solar photovoltaic array and associated solar equipment at the property located in Indianapolis. On December 30, 2014, BE Solar sold all of the Membership Interests of the Lenape II Sub to NRG Solar DG, LLC. Under the transaction, BE Solar will act as the EPC for the

project which will be a 4.7 MW dc PV generating facility. The Company has valued the combined return under the sale of assets and the EPC Agreement to be approximately $12.3 million.

Historically, the Company s solar PV project pipeline for generating EPC revenue was large and generally not realized for various reasons, including site control, permitting, engineering, interconnect, and an inability to obtain project financing. The Company s current solar management team has significant experience in converting pipeline into backlog and completing projects and is focused on completing several projects in Hawaii, continuing construction on the approximate $12M Lenape project in Indiana and acquiring and seeking to develop utility scale projects, primarily in Mexico, as set forth above. From the September 26, 2011 acquisition of BE Solar through December 31, 2013, the Company recognized total revenues of approximately $14,678,092 and approximately $9,001,110 during 2014.

3) EE/Technology: Historically EE business has focused on installing lighting, refrigeration and HVAC equipment for our customers which, based on Management s knowledge of the industry, we believe can reduce our customer s costs by 25-60%. We based our projected savings on our having provided energy efficiency services to approximately 11,000 small to medium sized commercial customers. The Company has verified these savings through its monitoring of customer electricity bills and by using energy monitoring equipment that measures energy consumption for comparing the energy used by the old equipment versus the new more effective energy efficient equipment. We anticipate cross-selling to our larger CHP food processor customers. Our technology acquisitions also provide us proprietary intelligent battery storage technology and low cost, cloud based energy management systems that Management expects will give us a competitive edge with our commercial customers. The technology is expected to be added to our proprietary Keep Your Cool® utility program that has been accepted by many California utilities, which is expected to facilitate the roll out of our utility program across the United States.

Expand Scope of Product and Service Offerings. We plan to continue to expand our offerings by including new types of energy efficiency services, products and improvements to existing products based on technological advances in energy savings strategies, equipment and materials. Through the acquisitions of Intelligent Power Inc. and Millennium Power Solutions, LLC and our investment in PowerGenix we significantly expanded our offerings of proprietary energy management and energy storage solutions, which have enhanced our capabilities to offer our customers comprehensive energy savings solutions.

Meet Market Demand for Cost-Effective, Environmentally-Friendly Solutions. Through our energy efficiency measures and products, we enable customers to conserve energy and reduce emissions of carbon dioxide and other pollutants. We plan to continue to focus on providing sustainable energy solutions that will address the growing demand for products and services that create environmental benefits for customers.

Increase Recurring Revenue. We intend to continue to seek opportunities to increase our sources of recurring revenue as we continue to expand our core energy services business to become an independent power producer, or IPP, by selling the electricity, hot water, heat and cooling generated by on-site energy plants that we build and own under long term power purchase agreements, or PPA s.

Utility Programs. We intend to offer utilities energy efficiency programs such as our Keep Your Cool® refrigeration program and broaden our utility program offerings to their small and medium-sized commercial and industrial customers.

Strategic Acquisitions. We will continue to identify and acquire energy management companies and technologies that will enable us to expand our capabilities in our alternative/renewable energy and energy efficiency products and

services offerings.

The Company has recognized revenues of $18,260,758, $10,305,736, and $8,466,965 for the years ended December 31, 2014, 2013, and 2012, respectively, with net losses of $(27,614,459), $(25,473,394) and $(9,607,134), respectively. As of December 31, 2014, the Company had an accumulated deficit of $(91,845,834).

Corporate History

On October 30, 2009, the Company entered into an Agreement of Merger and Plan of Reorganization (the 2009 Merger) with Genesis Fluid Solutions, Ltd. (GFS), a privately held Colorado corporation and upon closing of the transaction GFS, as the surviving corporation, became a wholly-owned subsidiary of the Company which changed its name to Genesis and the Company succeeded to the business of GFS as its sole line of business. GFS began operations in 1994 and is engaged in the design and development of water restoration and water remediation technology and equipment for the environmental, mining and paper industries.

As of August 31, 2010, Genesis completed a Stock Purchase Agreement (the SPA) pursuant to which the Buyers who signed the SPA, including the then Chairman and Interim Chief Executive Officer of the Company, agreed to purchase from the Company on or before August 31, 2010, all of the issued and outstanding common stock of GFS then its wholly-owned subsidiary (the GFS Spin-off). GFS had not generated sufficient revenues or earnings as a result of its activities. Effective October 21, 2010, Genesis Fluid Solutions Holdings, Inc. (Genesis) an operating Delaware corporation formed on March 30, 2007 under the name Cherry Tankers, Inc. merged with and into Blue Earth Inc., a Nevada corporation formed on October 6, 2010, solely as a reincorporation and name change.

Effective January 1, 2011, Blue Earth acquired Castrovilla, Inc. based in Mountain View California which manufactures, sells and installs commercial refrigeration and freezer gaskets and sells and installs motors and controls to approximately 11,000 small commercial businesses operating under our Blue Earth EMS division. See Blue Earth EMS Division below.

On September 7, 2011, Blue Earth acquired Xnergy, Inc., and its wholly owned subsidiary HVAC Controls & Specialties, Inc., a Carlsbad, California based energy services company. Simultaneously, the Company purchased ecoLegacy, LLC, which served as a financing vehicle for Xnergy. Xnergy, currently operating under our Blue Earth Solar division, provides a broad range of comprehensive energy solutions including the specialized mechanical engineering, the design, construction and implementation of energy savings projects, energy conservation, energy infrastructure outsourcing, power generation and energy supply and risk management. See Blue Earth Solar Division below.

Effective January 24, 2014, the Company sold HVAC Controls and Specialties to George Todd Peterson, its former owner, who was a key employee during the Company s ownership of such subsidiary. The HVAC business unit was geographically isolated from the remainder of the energy efficiency and technology business units and was not expected to make significant contributions to the revenue growth of the Company as the larger projects of Blue Earth CHP and Blue Earth Solar units ramp up. The purchase price is $160,000, consisting of $70,000 of forgiveness of debt to buyer and buyer s promissory note to the Company for $90,000. The note bears interest at 6% per annum. It is payable in monthly payments of $1,757.10 over a five (5) year period, due March 1, 2019. The Company s financial statements have been retroactively restated for all periods presented to reflect the assets, liabilities and operations of HVAC, as discontinued. Accordingly, revenues for the discontinued operations have been eliminated and there was no effect on the Company s financial statements for 2014.

Blue Earth entered into a Purchase and Sale Agreement dated as of July 26, 2012, with White Horse Energy, LLC for the Company to acquire 100% of the issued and outstanding limited liability company interests in Waianae PV-02, LLC, a Hawaii limited liability company which is the owner of certain rights to construct an approximately 497 kilowatt photovoltaic solar energy system in Waianae, Hawaii. Construction began in the first quarter of 2013. In August 2014, the Company completed the sale of its Waianae solar facility to Kenyon Energy for approximately $2 million. The sale of this project provided the Company with additional resources to apply toward CHP projects and set in motion a broader relationship with Kenyon Energy, a national, independent power producer providing direct, solar-generated electricity to municipalities, utilities and corporations.

On August 3, 2012, Blue Earth announced it acquired the exclusive right to construct seven (now six, as amended) different solar PV projects totaling approximately 3.5 megawatt DC in Hawaii. These projects are located on the island of Oahu and are primarily ground mount solar systems.

The construction of the Sunvalley Solar PV projects located in California, began in the third quarter of 2012 and are completed and now Company operated. The Sunvalley Solar projects have signed EPC agreements with the owners of the businesses for each of the respective construction sites. All of the customers have agreed to assign to the Company cash grants they receive for placing in service certain renewable energy projects under Section 1603 of the American Recovery and Reinvestment Act of 2009. These utility incentives are an inducement for the utilities customers to buy energy efficient products by providing sales tax exemptions, credits or rebates on qualified products. All of the projects are 1603 Grant eligible. Cash grants have been received on six of the projects with the balance expected to be received during 2015. Based on a seven (7) year anticipated revenue stream from these projects and the above-described tax grants, Management has valued these projects at approximately $4 million.

On July 15, 2013, Blue Earth acquired IPS Power Engineering Inc. (IPS) an EPCM company (engineering, procurement construction and management) and an affiliated renewable energy company that specializes in the combined heat and power (CHP) alternative energy space operating under our Blue Earth CHP division. Management believes, based on its knowledge of the industry, that Blue Earth CHP will enable the Company to become a significant independent power producer. Blue Earth CHP is building two energy plants and developing several additional energy plants to sell the thermal and electric power to large customers and the local utilities through long-term power purchase agreements. See IPS Power Engineering Acquisition - under our Blue Earth CHP Division below.

On July 24, 2013 Blue Earth acquired Intelligent Power Inc. (IP), which is now operating as our Blue Earth PPS division with patented demand response, cloud based technology, which allows remote, wireless monitoring of refrigeration units, lighting and heating, ventilation and air conditioning in thousands of facilities, such as, super markets, and food processing, restaurants and C-stores, drug and discount Stores. Blue Earth PPS s innovative PeakPower® System is a turnkey solution that monitors and controls energy and most of the equipment within the store. The Company holds an issued patent on the roll-lock snap-on current transformer. See Intelligent Power Acquisition - Under our Blue Earth PPS Division below.

On August 23, 2013, Blue Earth acquired Millennium Power Solutions (BEEPS), an intelligent digital battery technology company which is now operating as our Blue Earth EPS division. BEEPS designs and manufactures intelligent, digital, rechargeable battery products and backup systems with twice the energy of lead acid batteries in a smaller form factor. The environmentally friendly product is completely recyclable with no issues of hazardous out-gassing, corrosion, flammable or explosive characteristics. See Millennium Power Solutions Acquisition - under our Blue Earth EPS Division below.

On August 30, 2013 the Company entered into a Strategic Partnership Agreement with Talesun Solar USA, Ltd. (Talesun) and New Generation Power LLC (NGP), as amended on October 23, 2013, which includes a commitment from Talesun to grant the Company engineering, procurement and construction contracts (EPC) for 18 MW of Talesun Solar PV projects. NGP granted the Company EPC contracts for approximately 150 MW of projects. The Company loaned NGP $2,000,000, which was collateralized by safe harbored solar panels to be utilized on NGP s solar projects. NGP contracts with the Company to build the solar projects on a cost plus basis. The loan was to be repaid during the construction phase of the projects. On July 17, 2014, the Company took full physical possession of the panels in satisfaction of the loan. The panels were subsequently sold.

As of January 31, 2014, Blue Earth, through Blue Earth Capital, Inc. (BEC) purchased 100% of the equity interests in Kenmont Solutions Capital GP, LLC (Kenmont), a company owned by Donald R. Kendall, Jr., the Company s Chief Executive Officer of Blue Earth Capital. BEC will focus on sourcing equity and debt capital for the Company s combined heat and power or co-generation projects; its solar PV projects and energy efficiency projects. The capital formation entity will also source capital for strategic acquisition and joint development opportunities.

In June 2014, Blue Earth entered into an International Master Agent Agreement with PowerGenix Systems, Inc. (PowerGenix), a leading developer of high performance low-cost nickel-zinc (NiZn) batteries for automotive, industrial and uninterruptable power supply (UPS) systems. Under the multi-year joint product development and international master agent agreements the Company will adapt Blue Earth s proprietary, intelligent UPS traffic systems for use in, worldwide multiple market verticals, including digital data storage and server operations, grid storage, critical transportation operations, city infrastructure and emergency UPS markets. PowerGenix s patented NiZn battery technology is inherently a high power, high rate capable chemistry that is also ideally suited for grid applications such as frequency and voltage modulation, peak shaving, and Transportation & Distribution (T&D) deferral. The batteries use an inflammable aqueous electrolyte, making them extremely safe and abuse tolerant across a wide temperature range. PowerGenix, headquartered in San Diego, California also has a technology development and product engineering facility in Shenzhen, China that oversees its supply and raw material quality control, and provides direct support to its Asian customers. PowerGenix NiZn batteries have been certified by China National Labs and PowerGenix is working with several major automotive OEMs and Tier1 suppliers worldwide on the Stop-Start and Micro-Hybrid markets.

On October 27, 2014, the Company entered into reciprocal stock purchase agreements to acquire an approximate 24.4% beneficial ownership in PowerGenix. The purchase price was $10 million payable through a combination of cash ($2 million) and Blue Earth restricted common shares (3,729,604) valued at $2.145 per share, or an aggregate of $8 million. The restricted shares are subject to a lock-up/leak-out agreement. Reciprocal equity ownership is designed to fund PowerGenix and maximize the working relationship between the two companies. Under the terms of the purchase agreement, Johnny R. Thomas, CEO of Blue Earth, was elected to the Board of Directors of PowerGenix. For as long as Blue Earth has the right to elect a member of the Board of directors, it is also entitled to designate a representative to attend PowerGenix Board of Directors meetings in a non-voting observer capacity.

PowerGenix owns over 100 patents on NiZn chemistry, of which approximately fifty percent have been issued. This strategic relationship allows Blue Earth to combine our intellectual property with their intellectual property to create disruptive products.

In June 2014, Blue Earth was granted exclusive marketing rights to use the proprietary PowerGenix Nickel-Zinc (NiZn) batteries to produce intelligent digital NiZn storage systems using Blue Earth s proprietary intellectual property for a number of potentially multi-billion dollar market verticals including: Stationary UPS Systems in the Data Center, Military, Telecom, Utility, Renewable Energy, Motor Start-Up, Frequency Regulation, Peak Shaving/Shifting and Demand Shifting market segments. The marketing rights are global for most market verticals. PowerGenix granted an exclusive worldwide royalty-free license to Blue Earth to PowerGenix intellectual property, which may be necessary or useful in order for Blue Earth to develop, manufacture, market and sell Blue Earth Smart Battery Products that include Standard Batteries sold to Blue Earth and/or any third party if PowerGenix is unable to supply sufficient quantities of Standard Batteries to Blue Earth. The license is for six (6) years commencing with the initial commercialization of Smart Batteries or any other product under the Marketing Agreement. To maintain exclusivity, blue Earth shall be required to make minimum purchases of PowerGenix Standard Batteries for each Blue Earth

market vertical for a period of three (3) years, commencing upon the later of September 15, 2015, or the date that commercial products for each Blue Earth Market Vertical are certified by Blue Earth and PowerGenix. The agreement contains customary provisions which enable Blue Earth to have certain access to PowerGenix intellectual property as needed to continue to manufacture, develop and market Blue Earth Smart Battery Products in the event PowerGenix is unable to do so.

On September 29, 2014, the Company announced the successful launch of Blue Earth Generator, Inc. (BE Generator). BE Generator will develop, construct and maintain backup generators and cogeneration systems in the New York metropolitan area. The division plans to expand into other East and West Coast and Midwest metropolitan markets. In addition to the industrial manufacturing facilities serviced by BE CHP, BE Generator intends to provide cogeneration systems and backup generators for commercial buildings.

BE Generator s certified technicians have over 150 years of combined experience servicing Caterpillar and most other major equipment providers power generation systems. BE Generator s factory-trained technicians are certified and experienced in standby/prime power generator and cogeneration installations. They also service switchgear, heat recovery equipment, system controls and other balance-of-plant systems. The technicians provide preventative services/emergency maintenance, emission testing, fuel oil tank cleaning, loan bank testing, plant control balancing and general management services. Following NEPA 110 guidelines, Blue Earth technicians perform comprehensive inspections of emergency power supply systems. BE Generator also provides major overhauls to restore engines/CHP plants to original design specifications, with OEM approved parts, to ensure maximum plant performance. BE Generator is part of the BE CHP division.

As described above, the acquired companies operational activities are being conducted through the following six divisions: Blue Earth EMS; Blue Earth Solar; Blue Earth CHP; Blue Earth PPS, Blue Earth Capital and Blue Earth EPS. The primary strategic objective for the respective divisions or business units is to build brand awareness about our comprehensive energy solutions provided by the Company to its current and future customers.

Management intends to accelerate introduction of our PeakPower® energy demand management system and the UPStealth® digital battery backup system by offering and installing them through energy management service and distribution companies, which have an established base of customers at the local, state, regional and national levels. In order to accelerate product introduction, management expects to enter into varying types of agreements with these energy management service and distribution companies, including joint development, shared revenue, private label, licensing and acquisition agreements, as may be appropriate, for each company and geographic territory.

We generate all of our revenues from professional services contracts. The contracts are of three types: construction management, refrigeration and HVAC services and energy efficiency installation. Our customers are billed according to individual agreements. Revenues from professional services are recognized on a completed-contract basis. Under the completed-contract basis, contract costs are recorded to a deferred asset account and billings and/or cash received are recorded to a deferred revenue liability account during the periods of construction. Costs include direct material, direct labor and subcontract labor. All revenues, costs, and profits are recognized in operations upon completion of the contract. A contract is considered complete when all costs except insignificant items have been incurred and final acceptance has been received from the customer. However, in the event a loss on a contract is foreseen, we recognize the loss as incurred. We manufacture only a deminimus number of products. Our cost of sales is comprised of direct labor, parts purchased from third parties and other direct costs incurred in fulfilling the contracts.

The Company and DCO Energy, LLC (DCO) will form a limited liability company (LLC) that is expected to design and build a $17.4M Central Energy Center that will provide critical energy and thermal needs for a new hotel and casino (Resort) in Las Vegas, NV. The LLC will design, build and operate the project. The LLC is expected to receive long term recurring revenues through an Energy Sales Agreement with the Resort. The utility contract associated with the Central Energy Center will generate annuity income over the twenty-five (25)-year term of the agreement. The Central Energy Center is expected to provide utilities to the Resort at significantly lower prices than traditional utility procurement methods. The new $115mm boutique Resort will be ideally located in close proximity to the famous Las Vegas Strip. The Resort is intended to provide a truly differentiated Hotel and Gaming experience along with first-class dining provisions. With 206 luxury guest rooms and dramatic architecture, this exciting resort is expected to mark the return of development in Las Vegas, as it will be the first ground up casino development to be completed in Las Vegas in nearly six years.

Industry Overview

The market for energy efficiency services has grown significantly, driven largely by rising and volatile energy prices, advances in energy efficiency and renewable energy technologies, governmental support for energy efficiency and renewable energy programs and growing customer awareness of energy and environmental issues. End-users, utilities and governmental agencies are increasingly viewing energy efficiency measures as a cost-effective solution for saving energy, renewing aging facilities and reducing harmful emissions.

The clean-tech industry is a multi-billion global industry comprising several market sectors as follows: energy efficiency, including green building; water and wastewater; recycling and waste; LED lighting; energy storage; alternative energies and renewables; batteries/storage; smart grid electrical distribution system; alternative transport; and various green business, research and financial services.

According to a Clean Energy Trends 2013 report by Clean Edge, a Clean-Tech market authority, the fundamental global economic drivers for clean technology remain largely intact. Intensifying resource constraints (everything from freshwater to energy feedstocks) cannot be ignored, especially with a global population exceeding seven billion. In the aftermath of unprecedented climate interruption in the U.S. and abroad, resiliency and adaptation are becoming critical business and policy drivers as organizations scramble to meet a literally changing landscape. In the U.S., President Obama has signaled a strong commitment to expanding clean energy and energy efficiency in his second term calling for a doubling of renewable power by 2020.

We are a comprehensive provider of energy efficiency and alternative/renewable energy solutions for small and medium-sized commercial and industrial facilities. Our turnkey energy solutions enable our customers to reduce or stabilize their energy related expenditures and lessen the impact of their energy usage on the environment.

Corporate Structure

Our corporate structure for energy efficiency and alternative/renewable energy related acquisitions is designed to separate the acquired companies into six divisions of the Company, which are operated as separate business units in

order to establish and build brand awareness about the comprehensive energy solutions provided by the Company.

Although our six divisions operate independently, they will work in concert to develop, manage, implement and monitor our turnkey energy solutions for small and medium-sized commercial and industrial customers, as well as our specific programs developed for utilities.

We believe that the implementation and execution of our corporate strategy will benefit our shareholders and attract investors who are looking at two bottom lines: financial profitability and social or environmental benefits produced by the Company and its products and services.

Blue Earth EMS Division

On January 19, 2011, Castrovilla Energy, Inc., a recently formed California subsidiary of the Company, acquired substantially all of the assets of Humitech of Northern California, LLC (Humitech), a California limited liability company and its related company, Castrovilla, Inc. (collectively, with Humitech, the Castrovilla Acquisition) with an effective date of January 1, 2011. Founded in 2008, Castrovilla, Inc., changed its name to Blue Earth Energy Management Services Inc. and is part of our Blue Earth Energy Efficiency and Technology operating segment. Blue Earth EMS has served approximately 11,000 small commercial businesses in Northern California with its 42 employees as of February 13, 2015. Blue Earth EMS manufactures, sells and installs commercial refrigeration gaskets and strip curtains, which it sells and installs alongside many other energy efficiency products, such as EC motors, LED lights and a variety of control technologies. Blue Earth EMS strategy is to sell energy efficiency bundled retrofits (refrigeration, lighting, HVAC), to its customer base.

Blue Earth EMS participates in several ratepayer funded utility companies energy efficiency rebate programs, both through third-party programs and through its own small commercial business program, *Keep Your Coo*®. The *Keep Your Cool*® program was created in response to a Request For Proposals put out by a local municipal utility, Silicon Valley Power. Castrovilla s proposal was accepted and the program funded several hundred thousand dollars. This eventually resulted in contracts with over a dozen municipal utilities throughout Northern California to provide turnkey program administration and implementation. In 2008, Castrovilla acquired the assets of Bay Area Refrigeration, a fully licensed commercial refrigeration contractor that had serviced the San Francisco Bay Area for some 30 years.

Blue Earth EMS has created a business model for sustainably generating and delivering kW and kWh that benefits both the utility and the end user. Blue Earth EMS provides energy efficiency services to small commercial businesses and delivers custom programs directly to utilities. The model is both expandable and scalable. Blue Earth EMS intends to become a statewide and regional service provider.

Since acquiring Bay Area Refrigeration and the C-38 refrigeration contractor s license, Blue Earth EMS is qualified to install Electronically Commutated (EC) motors, Evaporator Fan Controllers, Anti-Sweat Heater Controllers and LED Case Lighting and other technologies. This has made the Company s retrofit projects far more comprehensive, which is a significant competitive advantage over companies that target only a single measure. In fact the largest rebate programs require comprehensive retrofits to qualify for rebates.

In addition to energy efficiency retrofits, Blue Earth EMS also has on-going refrigeration and HVAC contracts to provide periodic maintenance to numerous restaurants and other refrigerated facilities throughout the San Francisco Bay Area. This includes 24 x 7 emergency refrigeration services.

In mid-2009 Blue Earth EMS opened an online-store (www.barefrigeration.com) to sell manufactured gaskets and strip curtains on both a wholesale and retail basis. The web site also allows us to distribute refrigeration hardware, plumbing fixtures, kitchen equipment, water filtration, electrical and tools and accessories.

On December 30, 2010, Castrovilla Energy, Inc. (CEI), a wholly-owned subsidiary of the Company s subsidiary, Blue Earth Energy Management Services, Inc. (BEEMS) entered into an Agreement and Plan of Merger (the Plan) with Castrovilla, Inc. and the Stockholders of Castrovilla, Inc. with an Effective Date of January 1, 2011. CEI merged with and into Castrovilla, Inc. on January 21, 2011, which continued its existence as a wholly-owned California subsidiary

of BEEMS. Under the Plan, the Company issued an aggregate of 1,011,905 shares of its Common Stock valued at $1.68 per share, or $1,700,000, to the stockholders of Castrovilla, Inc. in exchange for all of the outstanding capital stock of Castrovilla, Inc. All of the Company s shares issued in the Castrovilla Acquisition were subject to Lock-up/Leak-out and Guaranty Agreements, as amended, which have expired. No payments were made by the Company under the Guaranty.

The purchase price for Humitech, under the Asset Purchase Agreement (APA) was $600,000. This consisted of the payment of $150,000 of affiliated debt, the issuance of 267,857 shares of restricted Common Stock of Blue Earth, Inc. with an agreed upon value of $508,928, or $1.90 per share and the assumption of approximately $121,000 of trade debt.

Blue Earth EMS Products and Services

In 2014 and 2013, Blue Earth EMS s revenues were generated primarily from sales of parts and equipment for refrigeration and LED Case Lighting, refrigeration service, preventative maintenance, consulting, and web sales. Currently, the only materials that are purchased in large quantities are its gasket materials. All other inventory including EC motors, Anti-Sweat heaters (ASH) controllers, LED Case Lights and other hardware are kept in low quantities or purchased on an as needed basis.

Our Blue Earth EMS division accesses a variety of rebate programs, always choosing the best one for a given project. The funds that pay for the rebate programs utilized by Blue Earth EMS are the result of California Public Utilities Commission (CPUC) requirements that all utilities in the State of California collect a Public Benefits charge as a percentage of the total bill. These funds are required to be invested in energy savings programs. Several of these programs are provided through third-party programs, which are usually administered by ESCO and consulting companies and implemented by refrigeration, lighting, HVAC and solar companies. Each program has different eligibility requirements and/or is available in different areas. Participating in the programs in its market area allows us to provide the broadest coverage to our customers. Our financial statements reflect that revenues were negatively impacted during specific time periods. The utility rebate programs are typically three year programs. During the referenced reporting period, the utilities were in the transition period between the previous three year program and the new three year program. This transition period generally results in decreased funding for a few months. However, the new three year utility programs have more dollars allocated than the previous program. Therefore, the negative effects to our revenue were temporary and not material to our business going forward.

Our management believes that the key to sustaining and expanding its program is to take part in or take advantage of a constant stream of technological innovation. By identifying, evaluating and verifying the best new measures Blue Earth EMS is able to provide the approximately 11,000 small commercial customers it has served and bring in new ones. In some cases Blue Earth EMS is introduced to customers through our work for other companies, which it can assimilate into Keep Your Cool®.

Blue Earth Business Strategy - Energy Efficiency

In order to maximize the effectiveness of any energy efficiency measures, the following steps should be taken:

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Determine the energy efficiency goals and priorities. Each company or organization has different priorities with regard to their energy efficiency goals.

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Reduce energy demand through Commissioning. A thorough commissioning study will ensure that a building is performing to its design intent and will look at the following:

Lighting

Mechanical / HVAC systems and controls

Refrigeration

Equipment (office, process, and manufacturing)

Building Envelope (windows, foundation, walls, ceiling roof, and insulation)

Electrical Systems

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Energy audit. Energy usage, history, and costs may be gathered from the utility company which will be helpful in determining what areas of the facility could improve the most by implementing certain energy efficiency measures.

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Recommend energy efficiency strategies to attain goals. Some of these recommendations may be implemented under the second bullet above. Other energy-saving measures include more efficient equipment, self-generating systems, new controls and variable speed drives.

Alternative Energy Systems / Distributed Generation.

An alternative energy system needs to suit the facility and its owner s needs. The following are several systems that Blue Earth Solar has a great deal of experience with:

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Photovoltaics / Solar Power. This popular method converts the sun s energy directly into electricity. Photovoltaics (PV) is a viable method of generating power and more panel manufacturers are constantly increasing the efficiency and effectiveness of their equipment.

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Gas Turbines. These are used for distributed generation of electricity. They are reliable and have minimal maintenance costs, and have control requirements to address air pollutants.

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Combined Heat & Power (CHP) using Fuel Cells or Other Technologies. Waste heat from the power generation process is used to create either steam or hot water which can in turn be used for heat for the building.

Energy Procurement / Finance Options / Incentives

Along with the increasing demand for energy resources there are also more and more incentives to implement energy saving strategies for traditional and alternative energy systems. Along with these incentives there are some creative methods to attain and pay for power, all of which the Company uses:

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Power Purchase Agreements (PPA s).This popular method is a long-term agreement to buy power from a source that produces electricity. Under a standard PPA, the power source assumes the risk of operating and managing the electricity. This method frees up capital that a company could use elsewhere in its business operations while still maintaining low electricity costs. Blue Earth Solar has established relationships with the financing sources and can find and broker the right deal for the facility.

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Synthetic Lease Agreements (SLA s). This method enables a lessee to obtain equipment without having the debt on the company balance sheet. The lessee can still get all the tax benefits (and burdens) of ownership, including the asset depreciation.

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PV: California Solar Initiative (CSI) Incentive: For photovoltaic/solar systems, the CSI provides an incentive - based on the system size - for a newly implemented PV system. Blue Earth Solar will help navigate the process and can assist in filling out the application and necessary paperwork needed in order to acquire the incentive.

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Tax Credits for Alternative Energy Implementation. The federal government has extended the tax credits to companies upon the implementation of alternative energy systems. This credit can exceed 30%, depending on the tax bracket.

Blue Earth Solar Division

On September 7, 2011, Blue Earth, Inc. acquired Xnergy, Inc. (Xnergy), a Carlsbad, California based energy services company (the Xnergy Acquisition), which now operates as our Blue Earth Solar division. Blue Earth Solar provides a broad range of engineering, procurement, construction, management services for distribution generation and utility scale solar PV projects. The Solar EPC business unit benefits from tax incentive programs, which are in place through 2016. It is uncertain what the effect of the expiration of these tax incentive programs will have on the solar industry. Costs for solar projects, solar panels and other materials, have declined dramatically over the past few years due to the scale achieved by the solar industry. It is uncertain whether tax incentive programs will be extended and it is uncertain what the effect of the expiration will be if it occurs. Rising costs of power from traditional electric generation combined with economies of scale for solar make it difficult to predict the business consequences in 2017.

Pursuant to the terms and conditions of an Agreement and Plan of Merger (the Plan), the Company purchased all of the capital stock of Xnergy for a Purchase Price of $15,012,010. The Company issued to the two shareholders of Xnergy, D. Jason Davis and Joseph Patalano (the Xnergy Stockholders) an aggregate of 4,500,000 shares of restricted Common Stock, valued at $3.00 per share in the merger agreement. The Company also assumed payment to a former stockholder of the unpaid balance of $1,415,088 for his shares which was paid in full when the former stockholder elected to convert the note into equity.

D. Jason Davis, as CEO of Xnergy, and Joseph Patalano as COO of Xnergy, entered into five-year employment agreements with the Company. Their employment agreements included a bonus plan based upon sharing a percentage of earnings above certain minimum thresholds for the three fiscal years ending December 31, 2013, none of which were met. As of February 17, 2014, Messrs. Davis and Patalano resigned as officers, employees and directors of Xnergy and entered into a consulting agreement with the Company and the bonuses have been eliminated. They chose to focus their business time on project development, rather than construction of projects. In April 2014, Messrs. Davis and Patalano commenced arbitration proceedings against the Company. See Item 3 Legal Proceedings.

Fiscal 2013 Acquisitions

We have continued to expand our comprehensive energy solutions business through the strategic acquisitions of IPS Power Engineering Inc. (IPS), Intelligent Power Inc.(IP) and Millennium Power Solutions LLC (MPS), during the third quarter of 2013. Our acquisition of IPS, whose operations are now conducted under our Blue Earth CHP division, expands our alternative energy services offerings to private sector commercial customers including upgrades to a facility s energy infrastructure and the design, construction, operation and maintenance of smaller-scale combined heat and power or CHP energy power plants. IP, whose operations are conducted through our Blue Earth PPS division, developed our patented PeakPower® energy management system, which enables us to offer our utility customers and our small to medium-sized commercial and industrial customers a turnkey solution that helps them achieve their respective energy reduction goals. MPS, whose operations are conducted through our Blue Earth EPS division, developed our proprietary UPStealth® battery backup system, which we believe based on Management s knowledge of the industry, is the only lead-acid free, energy efficient, intelligent digital Nickel Zinc battery backup system designed to power signalized traffic intersections during loss of power.

IPS Power Engineering Acquisition - under our Blue Earth CHP division

On July 15, 2013 Blue Earth completed an Agreement and Plan of Merger (the Agreement) with IPS Power Engineering Inc. (IPS), Global Renewable Energy Group, Inc. (GREG) and the Stockholders of IPS and GREG (the IPS Acquisition). IPS is operated as a wholly owned subsidiary of Blue Earth under our Blue Earth CHP division. Pursuant to the terms of the Agreement, an aggregate of 15,550,000 shares of Blue Earth Common Stock (the Merger Consideration) was issued to the former stockholders of IPS and GREG (the Stockholders).

The Merger Consideration was determined by the parties based on the mutually agreed upon future revenues and earnings forecast prepared by management of IPS and GREG. The Merger Consideration consisted of: 5,000,000 Blue Earth shares issued at closing to the Stockholders, which vested immediately, but are subject to lock-up agreements; 150,000 Blue Earth shares issued as finders fees; and 10,500,000 Blue Earth shares issued at closing to the Stockholders, and held in escrow, and which will vest at the rate of 1,500,000 Blue Earth shares on the dates that theCHP or co-generation power plants as mutually agreed to by Blue Earth and IPS, commence producing commercial power.

Intelligent Power Acquisition - under our Blue Earth PPS division

On July 24, 2013 Blue Earth completed an Agreement and Plan of Merger (the Agreement) with Intelligent Power, Inc. (IP), and the Stockholders of IP (the IP Acquisition). IP is operated as a wholly-owned subsidiary of Blue Earth under our Blue Earth PPS division. Pursuant to the terms of the Agreement, an aggregate of 1,383,400 shares of Blue Earth Common Stock was issued to the former stockholders of IP. The Merger Consideration was based on the ten-day average closing price of $2.88 for Blue Earth shares through June 8, 2013 when the agreement in principle was reached.

Millennium Power Solutions Acquisition - under our Blue Earth EPS division

On August 23, 2013, Blue Earth completed an Agreement and Plan of Merger (the Agreement) with Millennium Power Solutions, LLC (MPS) and the Key Members of MPS (the MPS Acquisition). MPS is operated as a wholly-owned subsidiary of Blue Earth under our Blue Earth EPS division. Pursuant to the terms of the Agreement, an aggregate of 3,694,811 shares of Blue Earth Common Stock was issued to the former members of MPS. In addition, the principals of MPS shall be entitled to receive a per-year earnout equal to ten (10%) percent of the profits of MPS as a separate wholly-owned subsidiary of Blue Earth payable in Blue Earth shares of Common Stock valued at the then current fair market value. The earnout is limited to a five year period and has an aggregate cap of $3,572,199.

Hawaii Solar Energy Acquisitions

Hawaii has the largest Renewable Portfolio Standard in the US, requiring 40% of the state s energy be supplied by renewable energy by 2030. Hawaiian Electric Company s (HECO) Feed-In-Tariff (FIT) program is designed to encourage the addition of more renewable energy projects in Hawaii. Pre-established FIT rates and standardized FIT contract terms facilitate the process of selling renewable energy to HECO.

Blue Earth entered into a Purchase and Sale Agreement (the PSA) dated as of July 26, 2012, with White Horse Energy, LLC. The PSA provided for the Company to acquire 100% of the issued and outstanding limited liability company interests in Waianae PV-02, LLC, a Hawaii limited liability company (the SPE). The SPE is the owner of certain rights to construct an approximately 497 kilowatt photovoltaic solar energy system in Waianae, Hawaii. Construction began in the first quarter of 2013. The SPE has a fully executed 20 year power purchase agreement with HECO. The power generated by the plant will be sold to HECO in the form of kilowatt-hours (electricity). The project was valued at approximately $2 million and consists of a solar PV system mounted on the ground. In August 2014, the Company completed the sale of its Waianae solar facility to Kenyon Energy for approximately $2 million. The sale of this project provided the Company with additional resources to apply toward CHP projects and set in motion a broader relationship with Kenyon Energy, a national, independent power producer providing direct, solar-generated electricity to municipalities, utilities and corporations.

On August 3, 2012, Blue Earth announced that it acquired the exclusive rights to construct seven (now six, as amended) different solar PV projects totaling approximately 3.5 megawatts DC in Hawaii. One project is under construction and one project is in pre-construction. The other four projects will not be built due to a change in the HECO approval process. The projects are located on the island of Oahu and are primarily ground mount solar systems.

Market Size

Blue Earth, Inc. is a comprehensive provider of energy efficiency and alternative/renewable energy solutions for small and medium sized commercial and industrial facilities. We also own, operate and manage independent power generation systems constructed (distributed solar PV generation systems and cogeneration systems) in conjunction with these services.

According to a April 2014 report from Navigant Research titled Commercial Building Energy Efficiency Retrofits , the worldwide market for energy efficiency retrofits in commercial buildings and public buildings will surpass $127 billion in annual market value by 2023. The report states that commercial and residential buildings account for 35 to 40 percent of energy consumption worldwide. Commercial buildings, in particular, consume large amounts of energy related heating, ventilation, air conditioning (HVAC), lighting, water heating and other building systems. Efforts by federal and state initiatives to reduce energy consumption and greenhouse gas emissions have led to the increasing deployments of energy efficiency retrofits for commercial and public buildings.

As with other power sources, demand for solar power is driven by residential, commercial, and industrial electricity demand, which increases with population and economic growth. Additionally, growing concern over environmental and geopolitical issues surrounding fossil fuels has boosted interest in renewable energy sources such as solar. New analysis in July 2014 from Frost & Sullivan in their report titled Global Solar Power Market, finds that the market earned revenues of $59.84 billion in 2013 and estimates this to double to $137.02 billion in 2020.

Combined heat and power (CHP) systems, also known as cogeneration systems are used for the simultaneous generation of both electricity and heat energy. Driven by low natural gas prices, CHP for industrial facilities will reach nearly $30 billion in market value by 2023, according to a report in May 2014 by Navigant Research titled "Industrial Combined Heat Power". The industrial CHP market encompasses a broad range of industrial applications including processing applications, such as food and beverage facilities, food processing facilities, pulp and paper mills, and refineries using technologies such as turbines, internal combustion engines, fuel cells and Organic Rankine cycle engines.

Additional Market Drivers

Utility Rebate Programs. In a number of markets throughout the U.S., local electrical utilities and related organizations are offering rebates for the purchase and installation of energy efficient products and systems. Ratepayer funded programs are offered by utilities to encourage load reductions by its customers. These incentives may be structured as one-time up-front rebates on energy efficient equipment or may consist of payments per measured kWh saved over a course of several years. Small commercial businesses can leverage the cost of retrofits with incentives received through ratepayer-funded energy efficiency programs.

Rebate incentives are typically used to buy down utility *retrofit* project costs for energy efficiency programs. The customer can receive the rebate directly from the utility, or the energy service company may assist in identifying programs that the small commercial business may qualify for and may collect the rebate on the customer s behalf.

Many utility companies employ demand side management programs to help reduce energy consumption. These regulated programs benefits the customer by subsidizing the first cost of capital improvements that provide long - term energy and operational cost savings. Currently, energy efficiency rebates are only offered by specific electrical utilities and the respective rebate programs and requirements change frequently.

Aging and Inefficient Facility Infrastructure. Many organizations continue to operate with an energy infrastructure that is significantly less efficient and cost-effective than what is now available through more advanced technologies applied to lighting, heating, cooling and other building systems. As these organizations explore alternatives for renewing their aging facilities, they often identify multiple areas within their facilities that could benefit from the implementation of energy efficiency measures, including the possible use of renewable sources of energy.

Movement Toward Industry Consolidation. As energy efficiency solutions continue to increase in technological complexity and customers look for service providers that can offer broad geographic and product coverage, we believe smaller niche energy efficiency companies will continue to look for opportunities to combine with larger companies such as the Company that can better serve their customers needs. Increased market presence and size of energy efficiency companies should, in turn, create greater customer awareness of the benefits of energy efficiency measures.

Increased Use of Third-Party Financing. Many organizations desire to use their existing sources of capital for core investments or do not have the internal capacity to finance improvements to their energy infrastructure. These organizations often require innovative structures to facilitate the financing of energy efficiency and renewable energy projects.

Blue Earth EMS Sales and Marketing

Blue Earth EMS s key markets in 2014 and 2013 were Keep Your Cool® rebate program, restaurant and convenience store maintenance and service, consulting and wholesale and Internet sales. Blue Earth EMS services the San Francisco Bay Area and San Diego Area. Blue Earth EMS is the business unit that designs and implements Integrated Demand Side Management solutions for commercial, industrial and utility customers located in California.

Blue Earth EMS Customers

Blue Earth EMS s key customers, in 2014 were FM Facility Maintenance,City of Riverside Utilities, Ecology Action and barefrigeration.com, in 2013 were PECI, City of Riverside Utilities, City of Pasadena Utilities, Asuza Power and Ecology Action and in 2012 were KEMA, Keep Your Cool®, Ecology Action-Right Lights utility program and their website barefrigeration.com web site.

Blue Earth Solar Sales and Marketing

Blue Earth Solar develops relationships with under financed solar development companies that need the solar engineering, construction and financing expertise of BE Solar. Blue Earth Solar offers engineering, construction, and construction management services to the solar industry. Blue Earth Solar has the in-house expertise to perform the majority of the management work for most solar PV projects.

Having certain engineering and construction capabilities in-house enables us to provide turn-key projects to our clients. Having these abilities also makes it a natural fit for us to perform design-build projects, which save our customers money while also enabling the projects to have the minimum number of challenges/issues.

We are active participants in associations that involve professionals from the under financed solar development companies, and use these as networking opportunities to help increase sales leads.

Blue Earth EPS Sales and Marketing

Blue Earth EPS s key market for its proprietary UPStealth® intelligent digital Nickel Zinc battery backup system technology users, to date, is the traffic industry. For the traffic industry, Blue Earth EPS is the manufacturer, offering inside sales and, to date, distribution support to authorized distributors. The Traffic UPStealth® has been introduced to end users, such as Departments of Transportation, city and county agencies , design firms, contractors and distributors through over 200 webinars. We are also considering private labeling of our UPStealth® products to large scale traffic equipment manufacturers through licensing agreements.

Blue Earth PPS Sales and Marketing

Blue Earth PPS s marketing strategy for our patented PeakPower® energy management system is to use a concentrated segmentation strategy to focus primarily on large supermarket chains, convenience stores and other commercial HVAC systems. Blue Earth PPS has a three pronged strategy initially making direct sales introductions at high levels. We intend to leverage the large sales forces, and installed bases of major refrigeration equipment manufacturers by signing OEM deals with select companies and co-marketing. Then, given the geographic dispersion of the individual stores, Blue Earth PPS is establishing relationships with regional refrigeration contractors to assist with installation and become our first level of support.

Pricing strategy will include options for leasing, purchasing and a no-cost option that involves sharing energy savings with customers. A lynchpin of the marketing plan is the communications strategy. A combination of tools including PR, trade shows, digital, social, and advertising will be utilized to create awareness and solidify the PeakPower® brand.

The potential applications for our PeakPower® technology span numerous industries and apply globally. The following is a breakdown of the primary and secondary markets.

Primary: Heavy users of refrigeration equipment-food industry

Food Retailing (including convenience stores)

Food distribution and storage

Food processing

Refrigerated food transport (including fishing vessels)

Restaurants·

Secondary: Other users of refrigeration and heavy HVAC users

Restaurants

Convenience Stores

Pharmaceutical manufacturing, storage and distribution

Commercial and Industrial HVAC (including data centers)·

Measurement and Verification like LEED, Green Globes and Energy Star.

Blue Earth CHP Sales and Marketing

There is a large opportunity for implementing co-generation systems if the systems are built and owned by the Company on land leased from the customer at the point of energy use. Selling expensive power plants that require the customer to make large capital expenditures in this economic environment is a much more difficult sale than providing the energy savings to the customer with no capital expenditures.. Companies that have not allocated budgets or do not want to spend capital on large co-generation projects, but want the lower electricity and lower heat generation costs that co-generation systems can provide are excellent candidates. This sales model gives companies the option to preserve capital to finance their core business while still realizing additional less quantifiable benefits including:

1) On -site electricity generator maintains power even if the power company grid fails.

2) Co-generating system provides more efficient production of steam/hot water with the current boiler systems in place as a backup.

3) Increased ability to meet sustainability objectives which are being incorporated in purchase agreements with greater frequency.

We implement our proprietary design procedure in order to properly size and provide redundant energy source solutions that have positive ROIs. In order to successfully market a co-generation system the base proposition to the manufacturer is that this is a rate change to lower utility rates, lower current maintenance labor, and eliminate maintenance parts costs by shutting down old inefficient systems and providing for redundant sources. BE CHP covers the cost of the equipment, system installation, and ongoing maintenance so there is no capital expenditure to the customer.

We are profiling customers that have large thermal (heat) loading processes that are part of their manufacturing process, such as our initial food processing clients. Ideally, the customer will already have boilers that provide steam generation with the entire process infrastructure such as pipes, valves, and system controls in place and functioning within the original design specification. Because of the standard inefficiencies of boilers and furnaces, we can generate steam to match heat requirements and generate electricity the same fuel cost the customer is currently paying to only generate steam. In essence, the fuel required to run the turbine generator is free since the company is already paying to generate the heat from the fuel. This allows us to sell the electricity and heat to the end user at a lower rate than that they currently use. We believe the net savings effect will be between 8-20% lower utility costs, based on Management s historical experience.

Competition

Blue Earth EMS

The clean-tech industry is highly competitive. The energy efficiency segment for small commercial businesses is also highly competitive. Blue Earth EMS competes with various types and sizes of companies ranging from local and national service providers, local refrigeration contractors, and rebate program administrators. Blue Earth EMS differentiates itself as one of the only fully-licensed, comprehensive contractors in Northern California which sells and installs energy efficiency projects through utility rebate programs, and which contracts directly with utilities, allowing it to perform retrofit services and secure rebates for its small and large customers who operate locations served by multiple utilities.

Few contractors in our market area actually participate in the third-party program process. The reluctance is attributable to the considerable amount of paperwork required for each project. Having completed thousands of applications, however, Blue Earth EMS is accustomed to preparing the appropriate documents. Because of the new comprehensiveness requirement for refrigeration projects, several of the previously participating companies are no longer qualified. Finally, both the utilities and the third-party administrators have become stricter about contractor participation requirements, which is actively removing unqualified and unscrupulous vendors. As a contractor who is regularly contacted by the utilities and the third-party program administrators to repair issues left behind by others.

We compete based on the following:

Comprehensive Service Provider. We offer to our customers expertise in addressing almost all aspects of energy efficiency. Our staff from acquired companies is expected to provide the capability and flexibility to determine what energy efficiency measures are best suited to achieve the customer s energy efficiency and environmental goals.

Independence. We are an independent company with no affiliation to any equipment manufacturer, utility or fuel company. Unlike affiliated service companies, we have the freedom and flexibility to be objective in selecting particular products and technologies available from different acquisition candidates and suppliers in order to optimize our solutions for customers particular needs.

Experienced Management. Our respective division senior management have many years of experience pertaining to their divisions particular products or services.

Federal and State Qualifications. The federal governmental program under which federal agencies and departments can enter into ESPCs requires that energy service providers have a track record in the industry and meet other specified qualifications. Over 20 states require similar qualifications. We will continue to seek to acquire companies which meet these qualifications. This will provide us with the opportunity to continue to grow our business with federal, state and other governmental customers and differentiates us from energy efficiency companies that have not been similarly qualified.

Federal. In 2007, the United States enacted the Energy Independence and Security Act which mandates that federal buildings reduce energy consumption by 30% by 2015 compared to their 2003 baseline and contains multiple provisions promoting long-term ESPCs. The U.S. Department of Energy also has a number of research, development, grant and financing programs - most notably the DOE Loan Guarantee Program - to encourage energy efficiency and renewable energy. Additionally, the United States has adopted federal incentives for renewable energy, including the production tax credit, investment tax credit and accelerated depreciation.

State. At the state level, the American Council for an Energy-Efficient Economy stated in its 201**4** State Energy Efficiency Scorecard that significant measures to support energy efficiency have been implemented, including the following:

Total budgets for electricity efficiency programs in 2013 reached $6.3 billion. Adding this to natural gas program budgets of $1.4 billion, we estimate total efficiency program budgets of more than $7.7 billion in 2013.

Savings from electricity efficiency programs in 2013 totaled approximately 24.3 million megawatt-hours (MWh), a 7% increase over the 2011 savings we reported last year. Gas savings for 2013 were reported at 276 million therms (MMTherms), a 19% increase over the 2011 savings reported in the last State Scorecard.

Policies setting long-term energy savings targets faced pushback this year and were actually rolled back in two states, Indiana and Ohio. Twenty-four states continue to enforce and adequately fund an energy efficiency resource standard (EERS) that drives investments in utility-sector energy efficiency programs. The states with the most aggressive savings targets include Arizona, Massachusetts, and Rhode Island.

There are three principal types of energy efficiency companies:

Independent Energy Services Companies - Energy efficiency companies such as the Company, which are not associated with an equipment manufacturer, utility or fuel company. Most of these companies are small and focus either on a specific geography or specific customer base.

Utility-Affiliated Energy Services Companies - Companies owned by regulated North American utilities, many of which were traditionally focused on the service territories of their affiliated utilities, but have since expanded their geographical markets. Examples include Constellation Energy Projects and Services and ConEdison Solutions.

Equipment Manufacturers - Companies owned by building equipment or controls manufacturers. Many of these companies have a national presence through an extensive network of branch offices. Examples include Honeywell, Johnson Controls and Siemens.

Blue Earth Solar

The solar PV distributed generation segment for non-residential customers and utility scale projects is highly fragmented and also highly competitive on a local, regional and national basis . The competitors in the engineering, procurement and construction (EPC) include NRG Energy, Chevron Energy Solutions on a national basis and solar project installers including Borrego Solar, Helio Power and Sullivan Solar among others on a local basis. Also, several Chinese solar panel manufacturers have begun to provide solar EPC services as part of their vertical market strategy.

Blue Earth Solar differentiates itself from its competitors in a number of ways, including providing its customers with an in-depth array of turnkey services and energy efficient products from the other Blue Earth business units. Blue Earth Solar is solar PV technology neutral and diligently seeks to locate and provide its clients with the most beneficial technology that is currently available.

Blue Earth EPS

The battery backup system market segment for traffic intersections is highly fragmented and is also highly competitive on a local, regional and national basis. Blue Earth EPS competes primarily with lead-acid based battery backup and uninterrupted power systems manufacturers including Alpha Technologies, Clary Corp, Sensata Technologies (Dimensions), Tesco and Meyers. The sales channel primarily consists of distributors/resellers of lead-acid based battery back and uninterrupted power systems. Blue Earth EPS differentiates itself by offering a nickel/zinc based battery with its proprietary UPStealth® intelligent digital battery backup system.

Blue Earth PPS

The refrigeration controls market segment including compressor controller systems is highly competitive on a local regional and national basis. Blue Earth PPS competes primarily with refrigeration compressor controller systems

manufacturers such as Emerson Einstein, E2, Novar (Honeywell) and Danfoss. The Blue Earth PPS patented PeakPower® system differentiates itself from its competitors products based on exacting performance criteria, pricing and ease of system installation. The PeakPower ® system Thermal Sensors are simply placed at each end of coolers and freezers, much less complex than our competitors.

Blue Earth CHP

The combined heat and power (CHP) market segment is highly competitive on a local, regional and national basis. Competitors vary widely in terms of CHP developer engineering firms that only provide design and feasibility studies to full service ESCO companies that will design/build/maintain. Several are fringe competitors that provide just back-up generators and not full CHP solutions -- however, they do provide a distributed generation solution. Blue Earth CHP competes with the following, as well as other companies: AltaGen Energy Corp., Concentric Power, Inc., FOG Energy Corporation, Green Tech Energy Solutions, LLC and Duke Energy Generation Services. National energy services providers such as Johnson Controls, Inc. and Ameresco.

Government and Environmental Regulation

Energy Efficiency

Various regulations will affect the conduct of our business. Federal and state legislation and regulations enable us to enter into ESPCs with government agencies in the United States. The applicable regulatory requirements for ESPCs differ in each state and between agencies of the federal government.

Our projects must conform to all applicable electric reliability, building and safety, and environmental regulations and codes, which vary from place to place and time to time. Various federal, state, provincial and local permits are required to construct an energy efficiency project or alternate renewable energy plant.

Intellectual Property

The Company owns an issued patent on its PeakPower® energy management and an issued patent for its roll-lock snap-on current transformer. The Company has several patents filed and in the pending stage. While the Company believes patents are important to its business operations and in the aggregate constitute a valuable asset, Management believes based on their knowledge of the industry that no single patent or group of patents is critical for the success of the business.

The Company has a registered trademark in the names of Benchmark®, Keep Your Cool®, PeakPower®, and UPStealth®. The Company has also applied for a trademark in the names of Energy Shopping Network™, IV Shunt™, RTi Connect™, and RTi Web Connect™.

Employees

As of February 15, 2015, Blue Earth, Inc. had 10 employees, consisting of four executive officers and 6 administrative persons at the parent level and 97 full-time employees on a Company-wide basis. Blue Earth EMS had 42 full-time non-union employees, including its President, John Pink and 3 part-time employees. Blue Earth EMS employees include 3 key management, 8 in administration, 21 technicians who perform product installation and field service, 8 engaged in sales and marketing and 5 in shop/gasket manufacturing.

Blue Earth Solar had 10 full-time non-union employees, and 1 part-time employees. Blue Earth Solar employees include 5 key management, including 2 in sales and business development, 1 in service operations, 2 in construction

operations and 1 part-time employee.

Blue Earth CHP had 12 full-time employees and 1 part-time employee. Blue Earth CHP employees include 3 key management, 2 in administration, and 3 in engineering, 1 sales and marketing and 3 technicians.

Blue Earth PPS had 5 full-time employees and no part-time employees. Blue Earth PPS full time employees include 1 key management and 3 engineers and 1 software engineer.

Blue Earth EPS had 16 full time employees and 4 part-time employees. Blue Earth EPS employees include 2 key management, 2 in administration, no technicians, 3 in sales and marketing, 4 in engineering and 9 in manufacturing.

Blue Earth Capital had 2 full-time employees and 1 part-time employee including 1 key management.

The Company expects to continue to use subcontractors and independent consultants until such time as further acquisitions are made.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included or referred to in this report in evaluating our common stock. There are numerous and varied risks that may prevent us from achieving our goals. If any of these risks actually occurs, our business, financial condition or results of operations may be materially adversely affected. In such case, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment. The risk factors presented below are those which are currently considered material. However, they are not the only risks facing our Company. Additional risks not presently known to us, or which we currently consider to be immaterial, may also adversely affect us. Except as may be required by law, we expressly disclaim any obligation to update or revise any forward-looking statements.

Risks Relating to Our Business

Since we have limited operating history, it is difficult for potential investors to evaluate our business.

We acquired our initial operating subsidiary as of January 1, 2011 and subsequently operating subsidiaries in mid-2013. Therefore, our limited operating history makes it difficult for potential investors to evaluate our business or prospective operations and your purchase of our securities. As an early stage company, we are subject to the risks inherent in the financing, expenditures, complications and delays inherent in a new business. Accordingly, our business and success faces risks from uncertainties faced by developing companies in a competitive environment. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability.

We are dependent upon key personnel whose loss may adversely impact our business.

We rely heavily on the expertise, experience and continued services of Dr. Johnny Thomas, our Chief Executive Officer, Robert Potts, our President and Chief Operating Officer, as well as other executive employees. Although Dr. Thomas and Mr. Potts are employed under employment contracts, the loss of either of their services and the inability to replace either of them and/or attract or retain other key individuals, could materially adversely affect us. If Dr. Thomas, Mr. Potts or other key executive employees were to leave, we could face substantial difficulty in hiring a qualified successor and could experience a loss in productivity while any successor obtains the necessary training and experience. We do not have key man life insurance policies on our management.

We may need additional financing to execute our business plan and fund operations, which additional financing may not be available on reasonable terms or at all.

As of December 31, 2014, we had $2,967,408 cash on hand. On March 10, 2015, we completed the sale of $10 million of convertible debt to fund the construction of our Brooks, Alberta Canada CHP project. Our short term liquidity needs have been satisfied and we have sufficient capital to fund our operations for the next 12 months. However, in view of our business plan we may not be able to execute our business plan and fund business operations long enough to achieve profitability. In such event, we would be forced to scale back our growth strategy and operations. Our ultimate success depends upon our ability to raise additional capital. We are pursuing sources of additional capital through various means, including joint venture projects and debt or equity financing. However, we expect to continue to fund much of our growth through project financing by using a combination of debt and equity financing which may not be available when needed. Future financing through equity investments is likely to be dilutive to existing stockholders. Also, the terms of securities we may issue in future capital transactions may be more favorable to new investors than our current investors. Newly issued securities may include preferences, superior voting rights, the issuance of warrants or other derivative securities, and the issuance of incentive awards under employee equity incentive plans, which may have additional dilutive effects. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs.

We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which will adversely impact our financial condition and results of operations. Our ability to obtain needed financing may be impaired by factors, including the condition of the economy and capital markets, both generally and specifically in our industry, and the fact that we are not profitable, which could impact the availability or cost of future financing. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, we may need to reduce our operations accordingly.

We expect to incur a substantial amount of debt in order to build our initial combined heat and power plants.

We have recently secured debt financing to construct our initial CHP plants. We are continuing to negotiate with alternate financing sources to construct additional plants. This debt will be allocated among each specific project, which project entity will be the obligor, although initially the Company is expected to guarantee a portion of the debt. Prior to 2015, the Company has used cash on hand and equity financing to order equipment and advance the projects on schedule. An event of default, if not cured or waived, may result in the acceleration of the maturity of the indebtedness. If the Company has guaranteed this indebtedness, it may not have sufficient funds on hand for repayment which may cause it to curtail its ongoing operations until it could satisfy such default. See "Management s Discussion and Analysis of Financial Condition and Results of Operations."

Project development or construction activities may not be successful and proposed projects may not receive required permits or construction may not proceed as planned.

Development, installation and construction of energy efficiency and renewable energy projects, and operation of renewable energy projects, entails many risks, including:

The development and construction of our projects involves numerous risks. We are required to spend significant sums for preliminary engineering, permitting, legal, and other expenses at our own risk and expense,before we can determine whether a project is feasible, economically attractive or capable of being built. Success in developing a particular project is contingent upon, among other things: (i) negotiation of satisfactory engineering, procurement and construction agreements; (ii) receipt of required governmental permits and approvals, including the right to interconnect to the electric grid on economically acceptable terms; (iii) payment of interconnection and other deposits (some of which may be non-refundable); (iv) obtaining construction financing; and (v) timely implementation and satisfactory completion of construction.

Failure to obtain necessary project financing at various stages of the project; failure to receive critical components and equipment that meet our design specifications and can be delivered on schedule; failure to obtain all necessary rights to land access and use; failure to receive quality and timely performance of third-party services; increases in the cost of labor, equipment and commodities needed to construct or operate projects; permitting and other regulatory issues, license revocation and changes in legal requirements; shortages of equipment or skilled labor; unforeseen engineering problems; failure of a customer to accept or pay for renewable energy that we supply; weather interferences, catastrophic events including fires, explosions, earthquakes, droughts and acts of terrorism; and accidents involving personal injury or the loss of life; labor disputes and work stoppages; mishandling of hazardous substances and waste; and other events outside of our control.

Any of these factors could give rise to construction delays and construction and other costs in excess of our expectations. This could prevent us from completing construction of projects, cause defaults under financing agreements or under contracts that require completion of project construction by a certain time, cause projects to be unprofitable for us, or otherwise impair our business, financial condition and operating results.

We may be unable to obtain governmental approvals, property rights and/or financing for the construction, development and operation of our non-regulated energy investments.

Construction, development and operation of energy investments, such as natural gas storage facilities, pipeline transportation systems and solar energy projects, are subject to federal and state regulatory oversight and require certain property rights and approvals, including permits and licenses for such facilities and systems. We or our joint venture partners may be unable to obtain, in a cost-efficient or timely manner, all such needed property rights, permits and licenses in order to successfully construct and develop our non-regulated energy facilities and systems. Successful financing of our energy investments requires participation by willing financial institutions and lenders, as well as acquisition of capital at favorable interest rates. If we do not obtain the necessary regulatory approvals and financing, our equity investments could be impaired, and such impairment could have a materially adverse effect on our financial condition, results of operations or cash flows.

Our investments in clean energy projects are subject to substantial risks.

Commercial and residential solar energy projects, such as those in which we are investing, are relatively new and have been developed through advancement in technologies whose commercial application is limited, and which are unrelated to our core businesses. These projects are dependent upon current regulatory and tax incentives and there is uncertainty about the extent to which such incentives will be available in the future. These projects face the risk that the current regulatory regimes and tax laws may expire or be adversely modified during the life of the projects.

In addition, because these projects depend on technology which may be outside of our expertise, there are risks associated with our ability to develop and manage such projects profitably, including logistical risks and potential delays related to construction, permitting, regulatory approvals, as well as the operational risk that the projects in service will not perform according to expectations due to equipment failure, suboptimal weather conditions or other factors beyond our control. All of the aforementioned risks could reduce the availability of viable solar energy projects for development. Furthermore, at the development or acquisition stage, because of the nascent nature of the renewable energy industry and the limited experience with the relevant technology, our ability to predict actual performance results may be hindered and the projects may not perform as predicted.

The installation of our on-site combined heat and power (CHP) or cogeneration power plants may be affected by opposition from local utility companies.

Utility policies and regulations in most states are not prepared to accommodate widespread on-site generation. These barriers erected by electric utility companies and unfavorable regulations, where applicable, make it more difficult or uneconomic for us to connect to the customer grid at customer sites and are an impediment to the growth of our business. Development of our on-site CHP or cogeneration business could be adversely affected by any slowdown or reversal in the utility deregulation process or by difficulties in negotiating backup power supply agreements with electric providers located in the different geographic areas of the country where we conduct our business.

The economic viability of our projects depends on the price spread between fuel and electricity thus the volatility of the prices of these components creates risk that our projects will be uneconomic.

The economic viability of on-site CHP or cogeneration projects is dependent upon the price spread between fuel and electricity prices. Volatility of one component of the spread, the cost of natural gas and other fuels such as propane or distillate oil, can be managed by means of future contracts. However, the regional rates charged for both base load and peak electricity services may decline periodically due to excess capacity arising from over-building of utility power plants or recessions in economic activity. Any sustained weakness in electricity prices could significantly limit our market for our CHP or cogeneration on-site energy services.

Our solar engineering, procurement and construction (EPC) growth strategy is dependent upon continued availability of third-party financing arrangements for our customers.

Generally, our customers must enter into agreements to finance the construction and purchase of our solar photovoltaic (PV) projects. These structured finance arrangements are complex and rely heavily on the creditworthiness of the customer, as well as required returns on investment of the financing companies. Depending on the status of financial markets for solar project funding and general economic conditions overall, financial institutions may be unwilling or unable to finance the cost of construction of the solar PV project. Lack of credit for our customers or restrictions on financial institutions extending such credit will severely limit our ability to grow our revenues. In addition, an increase in interest or lending rates or a reduction in the supply of project debt financing could reduce the number of solar projects that receive financing, making it difficult for our customers to secure the financing necessary to develop, build, purchase or install a solar PV facility on favorable terms, or at all, and thus lower demand for our EPC services which may limit our growth or reduce our net sales.

If solar power technology is not suitable for widespread adoption or sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our sales would decline and we would be unable to achieve or sustain profitability.

The market for solar power products is emerging and rapidly evolving, and its future success is uncertain. Many factors will influence the widespread adoption of solar power technology and demand for solar power products, including:

Cost effectiveness of solar power technologies as compared with conventional and non-solar alternative energy technologies; performance and reliability of solar power products as compared with conventional and non-solar alternative energy products; capital expenditures by customers that tend to decrease if the U.S. economy slows; and

availability of government subsidies and incentives.

If solar power technology proves unsuitable for widespread commercial deployment or if demand for solar power products fails to develop sufficiently, we would be unable to generate enough revenue to achieve and sustain profitability. In addition, demand for solar power products in the markets and geographic regions we target may not develop or may develop more slowly than we anticipate.

Compliance with environmental laws could adversely affect our operating results.

Costs of compliance with federal, state, local and other foreign existing and future environmental regulations could adversely affect our cash flow and profitability. We will be required to comply with numerous environmental laws and regulations and to obtain numerous governmental permits in connection with energy efficiency products, and we may incur significant additional costs to comply with these requirements. If we fail to comply with these requirements, we could be subject to civil or criminal liability, damages and fines. Existing environmental regulations could be revised or reinterpreted and new laws and regulations could be adopted or become applicable to us or our customers, and future changes in environmental laws and regulations could occur. These factors may impose additional expense on our operations.

In addition, private lawsuits or enforcement actions by federal, state, and/or foreign regulatory agencies may materially increase our costs. Certain environmental laws make us potentially liable on a joint and several basis for the remediation of contamination at or emanating from properties or facilities which we may acquire that arranged for the disposal of hazardous substances. Although we will seek to obtain indemnities against liabilities relating to historical contamination at the facilities we own or operate, we cannot provide any assurance that we will not incur liability relating to the remediation of contamination, including contamination we did not cause.

We may not be able to obtain or maintain, from time to time, all required environmental regulatory approvals. A delay in obtaining any required environmental regulatory approvals or failure to obtain and comply with them could adversely affect our business and operating results.

We will need to increase the size of our organization, and we may experience difficulties in managing growth.

We are a small company with 10 full-time employees, including four (4) executive officers, at the parent level and 97 full-time employees on a Company-wide basis, as of February 13, 2015. We will need to expand our employee infrastructure for managerial, operational, financial and other resources. Future growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees. Our future financial performance and our ability to commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively.

In order to manage our future growth, we will need to continue to improve our management, operational and financial controls and our reporting systems and procedures. All of these measures will require significant expenditures and will demand the attention of management. If we do not continue to enhance our management personnel and our operational and financial systems and controls in response to growth in our business, we could experience operating inefficiencies that could impair our competitive position and could increase our costs more than we had planned. If we are unable to manage growth effectively, our business, financial condition and operating results could be adversely affected.

Our corporate strategy will not be successful if demand for energy efficiency and alternative/renewable energy solutions does not develop.

We believe, and our corporate strategy assumes, that the market for energy efficiency and alternative/renewable energy solutions will continue to grow, that we will increase our penetration of this market and that our revenue from selling into this market will continue to increase with future acquisitions. If our expectations as to the size of this market and our ability to sell our products and services in this market are not correct, our corporate strategy will be unsuccessful and our business will be harmed.

Certain projects we may undertake for our customers may require significant capital, which our customers or we may finance through third parties, and such financing may not be available to our customers or to us on favorable terms, if at all.

Certain energy efficiency projects are typically financed by third parties. The significant disruptions in the credit and capital markets in the last several years have made it more difficult for customers to obtain financing on acceptable terms or, in some cases, at all. Any inability by us or our customers to raise the funds necessary to finance our projects, or any inability by us to obtain a revolving credit facility, could materially harm our business, financial condition and operating results.

Our business may be affected by seasonal trends and construction cycles, and these trends and cycles could have an adverse effect on our operating results.

We expect that our business will be subject to seasonal fluctuations and construction cycles, particularly in climates that experience colder weather during the winter months, such as the northern United States and Canada, or at educational institutions, where large projects are typically carried out during summer months when their facilities are unoccupied. In addition, government customers, many of which have fiscal years that do not coincide with ours, typically follow annual procurement cycles and appropriate funds on a fiscal-year basis even though contract performance may take more than one year. Further, government contracting cycles can be affected by the timing of, and delays in, the legislative process related to government programs and incentives that help drive demand for energy efficiency and renewable energy projects. As a result, our revenue and operating income in the third quarter is expected to be typically higher, and our revenue and operating income in the first quarter is expected to be typically lower, than in other quarters of the year. As a result of such fluctuations, we may occasionally experience declines in revenue or earnings as compared to the immediately preceding quarter, and comparisons of our operating results on a period-to-period basis may not be meaningful.

Our business depends, in part, on federal, state and local government support for energy efficiency and renewable energy, and a decline in such support could harm our business.

We depend, in part, on government legislation and policies that support energy efficiency and renewable energy projects and that enhance the economic feasibility of our energy efficiency services and small-scale renewable energy projects. Many states offer incentives to offset the cost of solar power systems. These systems can take many forms, including direct rebates, state tax credits, system performance payments and Renewable Energy Credits (RECs). Moreover, the federal government currently offers a 30% tax credit for the installation of solar power systems. Businesses may also elect to accelerate the depreciation on their system over five years. Uncertainty about the introduction of, reduction in or elimination of such incentives or delays or interruptions in the implementation of favorable federal or state laws could substantially increase the cost of our systems to our customers, resulting in significant reductions in demand for our services, which would negatively impact our sales.

The U.S. government and several states support potential customers investments in energy efficiency and renewable energy through legislation and regulations that authorize and regulate the manner in which certain governmental entities do business with companies like us, encourage or subsidize governmental procurement of our services, provide regulatory, tax and other incentives to others to procure our services and provide us with tax and other incentives that reduce our costs or increase our revenue. Current market conditions have caused various state, local or federal incentive programs which help drive the economics for these projects to be unexpectedly depleted or substantially changed by the administrators.

For example, U.S. legislation in 1992 authorized federal agencies to enter into energy savings performance contracts (ESPCs), such as those that we may enter into with customers at a later date. In 2007, three years after the expiration of the original legislation, new ESPC legislation was enacted without an expiration provision, and in the same year, the President of the United States issued an executive order requiring federal agencies to set goals to reduce energy use and increase renewable energy sources and use. In addition, the American Recovery and Reinvestment Act of 2009 (ARRA) allocated $67 billion to promote clean energy, energy efficiency and advanced vehicles. Additionally, the Emergency Economic Stabilization Act of 2008 instituted the 1603 cash grant program, which may provide cash in lieu of an investment tax credit for eligible renewable energy generation sources for which construction commenced prior to the end of 2010 where the project is placed in service by various dates set out in the act. The Internal Revenue Code (the Code), currently provides a production tax credit for the generation of electricity from wind projects and from landfill gas field power projects, and an investment tax credit or grant in lieu of such tax credits for investments in landfill gas field power projects, wind, biomass and solar power generation projects. Various state and local governments have also implemented similar programs and incentives, including legislation authorizing the procurement of ESPCs.

Prospective customers frequently depend on these programs to help justify the costs associated with, and to finance, energy efficiency and renewable energy projects. If any of these incentives are adversely amended, eliminated or not extended beyond their current expiration dates, or if funding for these incentives is reduced, it could adversely affect

our ability to obtain project commitments from new customers. A delay or failure by government agencies to administer, or make procurements under, these programs in a timely and efficient manner could have a material adverse effect on our potential customers willingness to enter into project commitments with us.

Changes to tax, energy and environmental laws could reduce our prospective customers incentives and mandates to purchase certain kinds of services that we may supply, and could thereby adversely affect our business, financial condition and operating results.

A significant decline in the fiscal health of federal, state, provincial and local governments could reduce demand for our energy efficiency and renewable energy projects.

Recent significant declines in the fiscal health of federal, state and local governmental entities may make it difficult for them to enter into contracts for our services or to obtain financing necessary to fund such contracts.

We are subject to governmental regulation. Compliance with current and future regulatory requirements and procurement of necessary approvals, permits and certificates may result in substantial costs to us.

We are subject to substantial regulation from federal, state and local regulatory authorities. We are required to comply with numerous laws and regulations and to obtain numerous authorizations, permits, approvals and certificates from governmental agencies and tariff rates that the Company can charge its customers, rates of return, the authorized cost of capital, recovery of pipeline replacement and environmental remediation costs and relationships with its affiliates. These agencies regulate various aspects of our business, including customer rates, services and natural gas pipeline operations.

The Federal Energy Regulatory Commission (FERC) has regulatory authority over certain of our operations. Any Congressional legislation or agency regulation that would alter these or other similar statutory and regulatory structures in a way to significantly raise costs that could not be recovered in rates from customers, would reduce the availability of supply or capacity or that would reduce our competitiveness would negatively impact our earnings. In addition, the U.S. Senate has passed the Pipeline Transportation Safety Improvement Act and if enacted will increase federal regulatory oversight and could also increase administrative costs that may not be recovered in rates from customers, which could have an adverse impact on our earnings.

We cannot predict the impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and applicable regulations. Changes in regulations or the imposition of additional regulations could influence our operating environment and may result in substantial costs to us.

Each state is responsible for regulating the sale, installation and interconnection of alternative energy within their state. The construction of power generation projects typically is regulated at the state and provincial levels, and the operation of these projects also may be subject to state and provincial regulation as utilities. At the federal level, the ownership, operation, and sale of power generation facilities may be subject to regulation under Public Utility Holding Company Act of 2005, or PUHCA, the Federal Power Act, or FPA, and Public Utility Regulatory Policies Act of 1978, or PURPA.

New technologies may prove inappropriate and result in liability to us or may not gain market acceptance by customers.

The solar power industry (and the alternative energy industry, in general) is subject to technological change. Our future success will depend on our ability to appropriately respond to changing technologies and changes in function of products and quality. If we adopt products and technologies that are not attractive to consumers, we may not be

successful in capturing or retaining a significant share of our market. In addition, some new technologies are relatively untested and unperfected and may not perform as expected or as desired, in which event our adoption of such products or technologies may cause us to lose money.

Existing regulations, and changes to such regulations, may present technical, regulatory and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products and services.

New government regulations or utility policies pertaining to solar power systems are unpredictable and may result in significant additional expenses or delays and, as a result, could cause a significant reduction in demand for solar energy systems and our services. For example, there currently exist metering caps in certain jurisdictions which effectively limit the aggregate amount of power that may be sold by solar power generators into the power grid.

We plan to expand our business in part through future acquisitions, but we may not be able to identify or complete suitable acquisitions.

Acquisitions are an important part of our growth strategy. We plan to use acquisitions of companies or technologies to expand our project skill-sets and capabilities, expand our geographic markets, add experienced management and increase our product and service offerings. However, we may be unable to implement this growth strategy if we cannot identify suitable acquisition candidates, reach agreement with acquisition targets on acceptable terms or arrange required financing for acquisitions on acceptable terms. In addition, the time and effort involved in attempting to identify acquisition candidates and consummate acquisitions may divert members of our management from the operations of our company.

Our prior acquisitions and any future acquisitions that we may make have made and/or may disrupt our business, cause dilution to our stockholders and harm our business, financial condition or operating results.

If we are successful in consummating acquisitions, those acquisitions could subject us to a number of risks, including, but not limited to: the purchase price we pay and/or unanticipated costs could significantly deplete our cash reserves or result in dilution to our existing stockholders; we may find that the acquired company or technologies do not improve market position as planned; we may have difficulty integrating the operations and personnel of the acquired company, as the combined operations will place significant demands on the Company s management, technical, financial and other resources; key personnel and customers of the acquired company may terminate their relationships with the acquired company as a result of the acquisition; we may experience additional financial and accounting challenges and complexities in areas such as tax planning and financial reporting; we may assume or be held liable for risks and liabilities (including environmental-related costs) as a result of our acquisitions, some of which we may not be able to discover during our due diligence or adequately adjust for in our acquisition arrangements; our ongoing business and management s attention may be disrupted or diverted by transition or integration issues and the complexity of managing geographically or culturally diverse enterprises; we may incur one-time write-offs or restructuring charges in connection with the acquisition; we may acquire goodwill and other intangible assets that are subject to amortization or impairment tests, which could result in future charges to earnings.

Historically, the $585 million pipeline announced in September 2011 in connection with the Company s acquisition of Xnergy Inc. was not converted into significant revenues for various reasons, including site control, permitting, engineering, interconnect, regulatory and an inability to obtain financing.

In addition, we may assume or be held liable for risks and liabilities (including environmental-related costs) as a result of our acquisitions, some of which we may not be able to discover during our due diligence or adequately adjust for in our acquisition arrangements; our ongoing business and management s attention may be disrupted or diverted by transition or integration issues and the complexity of managing geographically or culturally diverse enterprises; we

may incur one-time write-offs or restructuring charges in connection with the acquisition; we may acquire goodwill and other intangible assets that are subject to amortization or impairment tests, which could result in future charges to earnings.

We cannot assure you that we will successfully integrate or profitably manage any acquired business. In addition, we cannot assure you that, following any acquisition, our continued business will achieve sales levels, profitability, efficiencies or synergies that justify acquisition or that the acquisition will result in increased earnings for us in any future period. These factors could have a material adverse effect on our business, financial condition and operating results.

A drop in the retail price of conventional energy or non-solar alternative energy sources may negatively impact our profitability.

We believe that an end customer s decision to purchase or install solar power capabilities is primarily driven by the cost and return on investment resulting from solar power systems. Fluctuations in economic and market conditions that affect the prices of conventional and non-solar alternative energy sources, such as decreases in the prices of oil and other fossil fuels, could cause the demand for solar power systems to decline, which would have a negative impact on our profitability. Changes in utility electric rates or net metering policies could also have a negative effect on our business.

Failure of third parties to manufacture quality products or provide reliable services in a timely manner could cause delays in the delivery of our services and completion of our projects, which could damage our reputation, have a negative impact on our relationships with our customers and adversely affect our growth.

Our success depends on our ability to provide services and products in a timely manner, which, in part, depends on the ability of third parties to provide us with timely and reliable services and products, such as boilers, chillers, cogeneration systems, PV panels, lighting and other complex components. In providing our services we intend to rely on products that meet our design specifications and components manufactured and supplied by third parties, as well as on services performed by subcontractors. Warranties provided by third-party suppliers and subcontractors typically limit any direct harm we might experience as a result of our relying on their products and services. However, there can be no assurance that a supplier or subcontractor will be willing or able to fulfill its contractual obligations and make necessary repairs or replace equipment. In addition, these warranties generally expire within one to five years or may be of limited scope or provide limited remedies. If we are unable to avail ourselves of warranty protection, we may incur liability to our customers or additional costs related to the affected products and components, including replacement and installation costs, which could have a material adverse effect on our business, financial condition and operating results.

Moreover, any delays, malfunctions, inefficiencies or interruptions in these products or services - even if covered by warranties - could adversely affect the quality and performance of our solutions. This could cause us to experience difficulty retaining current customers and attracting new customers, and could harm our brand, reputation and growth. In addition, any significant interruption or delay by our suppliers in the manufacture or delivery of products or services on which we depend could require us to expend considerable time, effort and expense to establish alternate sources for such products and services.

We may need to assume responsibility under customer contracts for factors outside our control, including the risk that fuel prices will increase.

We do not expect to take responsibility under our proposed contracts for a wide variety of factors outside our control. However, we may sometimes need to assume some level of risk and responsibility for certain factors - sometimes only to the extent that variations exceed specified thresholds particularly with contracts for renewable energy projects. Although we intend to structure our contracts so that our obligation to supply a customer with electricity, for example, does not exceed the quantity produced by the production facility, in some circumstances we may commit to supply a customer with specified minimum quantities based on our projections of the facility s production capacity. In such circumstances, if we are unable to meet such commitments, we may be required to incur additional costs or face penalties. Despite measures to mitigate risks under these and other contracts, such steps may not be sufficient to avoid the need to incur increased costs to satisfy our commitments, and such costs could be material. Increased costs that we are unable to pass through to our customers could have a material adverse effect on our operating results.

Our business will depend on experienced and skilled personnel, and if we are unable to attract and integrate skilled personnel, it will be more difficult for us to manage our business and complete projects.

The success of our business will depend on the skill of our personnel. Accordingly, it is critical that we maintain, and continue to build, a highly experienced and specialized workforce, including engineers, project and construction management, and business development and sales professionals. In addition, our construction projects require a significant amount of trade labor resources, and other skilled workers, as well as certain specialty subcontractor skills.

Competition for personnel, particularly those with expertise in the energy services and renewable energy industries, is high, and identifying candidates with the appropriate qualifications can be costly and difficult. We may not be able to hire the necessary personnel to implement our business strategy given our anticipated hiring needs, or we may need to provide higher compensation or more training to our personnel than we currently anticipate.

In the event we are unable to attract, hire and retain the requisite personnel and subcontractors, we may experience delays in completing projects in accordance with project schedules and budgets, which may have an adverse effect on our financial results, harm our reputation and cause us to curtail our pursuit of new projects. Further, any increase in demand for personnel and specialty subcontractors may result in higher costs, causing us to exceed the budget on a project, which in turn may have an adverse effect on our business, financial condition and operating results and harm our relationships with our customers.

We operate in a highly competitive industry, and our current or future competitors may be able to compete more effectively than we do, which could have a material adverse effect on our business, revenue, growth rates and market share.

Our industry is highly competitive, with many companies of varying size and business models, many of which have their own proprietary technologies, compete for the same business as we do. Our competitors have longer operating histories and greater resources than us, and could focus their substantial financial resources to develop a competing business model, develop products or services that are more attractive to potential customers than what we offer or convince our potential customers that they should require financing arrangements that would be impractical for smaller companies to offer. Our competitors may also offer energy solutions at prices below cost, devote significant sales forces to compete with us or attempt to recruit our key personnel by increasing compensation, any of which could improve their competitive positions. Any of these competitive factors could make it more difficult for us to attract and retain customers, cause us to lower our prices in order to compete, and reduce our market share and revenue, any of which could have a material adverse effect on our financial condition and operating results. We can provide no assurance that we will continue to effectively compete against our current competitors or additional

companies that may enter our markets.

In addition, we may also face competition based on technological developments that reduce demand for electricity, increase power supplies through existing infrastructure or that otherwise compete with our products and services. We also encounter competition in the form of potential customers electing to develop solutions or perform services internally rather than engaging an outside provider such as us.

Provisions in government contracts may harm our business, financial condition and operating results.

In the event that we are able to secure contracts with the federal government and its agencies, and with state and local governments, these contracts customarily contain provisions that give the government substantial rights and remedies, many of which are not typically found in commercial contracts, including provisions that allow the government to:

Terminate existing contracts, in whole or in part, for any reason or no reason; reduce or modify contracts or subcontracts; decline to award future contracts if actual or apparent organizational conflicts of interest are discovered, or to impose organizational conflict mitigation measures as a condition of eligibility for an award; suspend or debar the contractor from doing business with the government or a specific government agency; and pursue criminal or civil remedies under the False Claims Act, False Statements Act and similar remedy provisions unique to government contracting.

Generally, government contracts contain provisions permitting unilateral termination or modification, in whole or in part, at the government s convenience. Under general principles of government contracting law, if the government terminates a contract for convenience, the terminated company may recover only its incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, the defaulting company is entitled to recover costs incurred and associated profits on accepted items only and may be liable for excess costs incurred by the government in procuring undelivered items from another source. The termination payment is designed to compensate us for the cost of construction plus financing costs and profit on the work completed.

In ESPCs for governmental entities, the methodologies for computing energy savings may be less favorable than for non-governmental customers and may be modified during the contract period. In the event we enter into ESPCs, we may be liable for price reductions if the projected savings cannot be substantiated.

In addition to the right of the federal government to terminate its contracts with us, federal government contracts are conditioned upon the continuing approval by Congress of the necessary spending to honor such contracts. Congress often appropriates funds for a program on a September 30 fiscal-year basis even though contract performance may take more than one year. Consequently, at the beginning of many major governmental programs, contracts often may not be fully funded, and additional monies are then committed to the contract only if, as and when appropriations are made by Congress for future fiscal years. If one or more of our government contracts were terminated or reduced, or if appropriations for the funding of one or more of our contracts is delayed or terminated, our business, financial condition and operating results could be adversely affected.

Government contracts normally contain additional terms and conditions that may increase our costs of doing business, reduce our profits and expose us to liability for failure to comply with these terms and conditions. These include, for example:

Specialized accounting systems unique to government contracting, which may include mandatory compliance with federal Cost Accounting Standards; mandatory financial audits and potential liability for adjustments in contract prices; public disclosure of contracts, which may include pricing information; mandatory socioeconomic compliance requirements, including small business promotion, labor, environmental and U.S. manufacturing requirements; and

requirements for maintaining current facility and/or personnel security clearances to access certain government facilities or to maintain certain records, and related industrial security compliance requirements.

Insurance and contractual protections may not always cover lost revenue, increased expenses or liquidated damages payments.

Although we maintain insurance and intend to obtain warranties from suppliers, obligate subcontractors to meet certain performance levels and attempt, where feasible, to pass risks we cannot control to our customers, the proceeds of such insurance, warranties, performance guarantees or risk sharing arrangements may not be adequate to cover lost revenue, increased expenses or liquidated damages payments that may be required in the future.

If the cost of energy generated by traditional sources does not increase, or if it decreases, demand for our services may decline.

Recent decreases in the costs associated with traditional sources of energy, such as prices for commodities like coal, oil and natural gas, or electricity has reduced demand somewhat for energy efficiency and renewable energy solutions. Technological progress in traditional forms of electricity generation or the discovery of large new deposits of traditional fuels or international political developments, production and distribution policies of OPEC could reduce the cost of electricity generated from those sources and as a consequence reduce the demand for our solutions. Any of these developments could have a material adverse effect on our business, financial condition and operating results.

Our activities and operations are subject to numerous health and safety laws and regulations, and if we violate such regulations, we could face penalties and fines.

We are subject to numerous health and safety laws and regulations in each of the jurisdictions in which we will operate. These laws and regulations require us to obtain and maintain permits and approvals and implement health and safety programs and procedures to control risks associated with our projects. Compliance with those laws and regulations can require us to incur substantial costs. Moreover, if our compliance programs are not successful, we could be subject to penalties or to revocation of our permits, which may require us to curtail or cease operations of the affected projects. Violations of laws, regulations and permit requirements may also result in criminal sanctions or injunctions.

Health and safety laws, regulations and permit requirements may change or become more stringent. Any such changes could require us to incur materially higher costs than we currently have. Our costs of complying with current and future health and safety laws, regulations and permit requirements, and any liabilities, fines or other sanctions resulting from violations of them, could adversely affect our business, financial condition and operating results.

Competition in wholesale power markets may have a material adverse effect on Blue Earth's results of operations, cash flows and the market value of its assets.

In Blue Earth's power marketing and commercial operations, it competes on the basis of its relative skills, financial position and access to capital with other providers of energy in the procurement of fuel and transportation services, and the sale of capacity, energy and related products. Other companies with which Blue Earth competes may have greater liquidity, greater access to credit and other financial resources, lower cost structures, more effective risk

management policies and procedures, greater ability to incur losses, longer-standing relationships with customers, greater potential for profitability from ancillary services or greater flexibility in the timing of their sale of generation capacity and ancillary services than Blue Earth does. Blue Earth's competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or to devote greater resources to the construction, expansion or refurbishment of their power generation facilities than Blue Earth can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. There can be no assurance that Blue Earth will be able to compete successfully against current and future competitors, and any failure to do so would have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

Operation of power generation facilities involves significant risks and hazards customary to the power industry that could have a material adverse effect on Blue Earth's revenues and results of operations, and Blue Earth may not have adequate insurance to cover these risks and hazards.

The ongoing operation of Blue Earth's facilities involves risks that include the breakdown or failure of equipment or processes, performance below expected levels of output or efficiency and the inability to transport the Company's products to its customers in an efficient manner. Unplanned outages of generating units, including extensions of scheduled outages due to mechanical failures or other problems occur from time to time and are an inherent risk of the Company's business. Blue Earth's inability to operate the Company's plants efficiently, manage capital expenditures and costs, and generate earnings and cash flow from the Company's asset-based businesses could have a material adverse effect on the Company's results of operations, financial condition or cash flows. While Blue Earth maintains insurance, obtains warranties from vendors and obligates contractors to meet certain performance levels, the proceeds of such insurance, warranties or performance guarantees may not be adequate to cover the Company's lost revenues, increased expenses or liquidated damages payments should the Company experience equipment breakdown or non-performance by contractors or vendors.

Power generation involves hazardous activities, including acquiring, transporting and unloading fuel, operating large pieces of rotating equipment and delivering electricity to transmission and distribution systems. In addition to natural risks such as earthquake, flood, lightning, hurricane and wind, other hazards, such as fire, explosion, structural collapse and machinery failure are inherent risks in the Company's operations. These and other hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in Blue Earth being named as a defendant in lawsuits asserting claims for substantial damages, including for environmental cleanup costs, personal injury and property damage and fines and/or penalties. Blue Earth maintains an amount of insurance protection that it considers adequate, but the Company cannot provide any assurance that its insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which it may be subject. A successful claim for which the Company is not fully insured could hurt its financial results and materially harm Blue Earth's financial condition. Further, due to rising insurance costs and changes in the insurance markets, Blue Earth cannot provide any assurance that its insurance coverage will continue to be available at all or at rates or on terms similar to those presently available. Any losses not covered by insurance could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company may incur additional costs or delays in the development, construction and operation of new plants, improvements to existing plants, or the implementation of environmental control equipment at existing plants and may not be able to recover their investment or complete the project.

The Company is developing or constructing new generation facilities. The development, construction, expansion, modification and refurbishment of power generation facilities involve many additional risks, including:

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inability to receive loan guarantees, funding or cash grants;

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delays in obtaining necessary permits and licenses;

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inability to sell down interests in a project or develop successful partnering relationships;

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environmental remediation of soil or groundwater at contaminated sites;

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interruptions to dispatch at the Company's facilities;

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supply interruptions;

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work stoppages;

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labor disputes;

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weather interferences;

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unforeseen engineering, environmental and geological problems;

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unanticipated cost overruns;

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exchange rate risks; and

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failure of contracting parties to perform under contracts, including EPC contractors.

Any of these risks could cause Blue Earth's financial returns on new investments to be lower than expected or could cause the Company to operate below expected capacity or availability levels, which could result in lost revenues, increased expenses, higher maintenance costs and penalties. Insurance is maintained to protect against these risks, warranties are generally obtained for limited periods relating to the construction of each project and its equipment in varying degrees, and contractors and equipment suppliers are obligated to meet certain performance levels. The insurance, warranties or performance guarantees, however, may not be adequate to cover increased expenses. As a result, a project may cost more than projected and may be unable to fund principal and interest payments under its construction financing obligations, if any. A default under such a financing obligation could result in the Company losing its interest in a power generation facility.

If the Company is unable to complete the development or construction of a facility or environmental control, or decides to delay, downsize, or cancel such project, it may not be able to recover its investment in that facility or environmental control. Furthermore, if construction projects are not completed according to specification, the Company may incur liabilities and suffer reduced plant efficiency, higher operating costs and reduced net income.

Our credit facilities and debt instruments contain financial and operating restrictions that may limit our business activities and our access to credit.

The Company and all of its wholly owned subsidiaries entered into a Credit Agreement, dated as of January 31, 2013 (the Credit Agreement) effective February 22, 2013, and last amended on February 24, 2015 (the Second Amendment) with TCA Global Credit Master Fund, LP (the Lender). The material terms of the Credit Agreement, as amended, are as follows:

The lender provided a credit facility of up to $4,000,000 to Blue Earth, initially secured by a first priority security interest in all of the assets of Blue Earth. The initial two tranches of the loan were each in the amount of $1,500,000 (the Initial Loan Draw) and any additional requests for an increase in the revolving credit amount would be subject to the Lender s approval based upon the intended use of proceeds. The initial $3 million was repaid in full. Pursuant to the Second Amendment, the Lender loaned Blue Earth $3,000,000 secured by 100% of the capital stock of one solar project and one CHP plant currently being constructed, as well as shares of convertible preferred stock in the event of an event of default.

On March 10, 2015, the Company entered into a Note and Warrant Purchase Agreement, pursuant to which Jackson Investment Group, LLC, a principal shareholder of the Company, purchased a $10 million 12% Senior Secured Convertible Note and Warrant. The Note is due September 15,2015 and is secured by all of the capital stock and assets of the Company and its subsidiaries (who have also guaranteed payment of the Note), except for the two

subsidiaries pledged to the Lender described in the preceding paragraph.

Provisions in our credit facilities and debt instruments impose restrictions on our and certain of our subsidiaries ability to, among other things: Incur additional debt; pay cash dividends and make distributions; make certain investments and acquisitions; guarantee the indebtedness of others or our subsidiaries; redeem or repurchase capital stock; create liens or encumbrances; enter into transactions with affiliates; engage in new lines of business; sell, lease or transfer certain parts of our business or property; incur obligations for capital expenditures in excess of certain limitations for existing projects; issue any additional capital stock of the Company or any subsidiary of the Company; and merge or consolidate.

These agreements also contain other customary covenants, including covenants that require us to meet specified financial ratios and financial tests. We may not be able to comply with these covenants in the future. Our failure to comply with these covenants may result in the declaration of an event of default and cause us to be unable to borrow under our credit facilities and debt instruments. In addition to preventing additional borrowings under these agreements, an event of default, if not cured or waived, may result in the acceleration of the maturity of indebtedness outstanding under these agreements, which would require us to pay all amounts outstanding. If an event of default occurs, we may not be able to cure it within any applicable cure period, if at all. If the maturity of our indebtedness is accelerated, we may not have sufficient funds available for repayment or we may not have the ability to borrow or obtain sufficient funds to replace the accelerated indebtedness on terms acceptable to us or at all. In such event, we would forfeit our right to collateral consisting of our projects whose stock we have pleged. See Management s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

If our subsidiaries default on their obligations under their debt instruments, we may need to make payments to lenders to prevent foreclosure on the collateral securing the debt.

We have formed subsidiaries to own and operate acquired companies. These subsidiaries may incur various types of debt. This debt may be structured as non-recourse debt, which means it is repayable solely from the revenue of the subsidiary and is secured by such subsidiary s assets, and a pledge of our equity interests in such subsidiary. Although subsidiary debt is typically non-recourse to the Company, if a subsidiary of ours defaults on such obligations, then we may from time to time determine to provide financial support to the subsidiary in order to avoid the adverse consequences of a default. In the event a subsidiary defaults on its indebtedness, its creditors may foreclose on the collateral securing the indebtedness, which may result in our losing our ownership interest in the subsidiary. The loss of our ownership interest in a subsidiary or some or all of a subsidiary s assets would be expected to have a material adverse effect on our business, financial condition and operating results at this point in time.

Difficult conditions in the global capital markets and the economy generally may materially adversely affect our business and results of operations, and we do not expect these conditions to improve in the near future.

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. Concerns over energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market, and the real estate market in the U.S. have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a global recession. Domestic and international equity markets have been experiencing heightened volatility and turmoil. These events and the continuing market upheavals may have an adverse effect on our business. In the event of extreme prolonged market events, such as the global credit crisis, we could incur significant losses.

We may be exposed to product liability risks.

The Company s operations may expose it to potential product liability risks that are inherent in the sale of energy efficiency products. There can be no assurance that product liability claims will not be asserted against the Company. We plan to have product liability insurance covering sales of any prospective products, which we believe will be adequate to cover any product liability exposure we may have. However, product liability insurance is expensive and we may be unable to obtain sufficient insurance coverage at a reasonable cost to protect us against losses. An individual may bring a product liability claim against us if one of our products causes, or is claimed to have caused, an injury or is found to be unsuitable for consumer use. Any product liability claim brought against us, with or without

merit, could result in:

Liabilities that substantially exceed our product liability insurance, which we would then be required to pay from other sources, if available; an increase of our product liability insurance rates or the inability to maintain insurance coverage in the future on acceptable terms, or at all; damage to our reputation and the reputation of our products, resulting in lower sales; regulatory investigations that could require costly recalls or product modifications; litigation costs; and the diversion of management s attention from managing our business.

A successful product liability claim or series of claims brought against the Company could have a material adverse effect on the Company s business, financial condition and results of operations.

We may be sued by third parties who claim that our prospective products infringe on their intellectual property rights.

We may be exposed to future litigation by third parties based on claims that our prospective products or activities infringe on the intellectual property rights of others or that we have misappropriated the trade secrets of others. Any litigation or claims against the Company, whether or not valid, could result in substantial costs, could place a significant strain on our financial and managerial resources, and could harm the Company s reputation. In addition, intellectual property litigation or claims could force us to do one or more of the following, any of which could have a material adverse effect on the Company or cause us to curtail or cease its operations:

We may be subject to damages resulting from claims that the Company or our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Upon completion of any acquisitions by the Company, we may be subject to claims that our acquired companies and their employees may have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of former employers or competitors. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or prevent our ability to commercialize certain products, which could severely harm our business.

Rapid technological change could make any products that the Company sells obsolete.

Energy efficiency technologies have undergone rapid and significant change and the Company expects that they will continue to do so. Any products or technologies that we may acquire may become obsolete or uneconomical before the Company recovers the purchase price incurred in connection with their acquisition.

The obligations associated with being a public company require significant resources and management attention, which may divert from our business operations.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and The Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition, proxy statement, and other information. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. We have hired additional financial reporting, internal controls and other financial personnel in order to develop and implement appropriate internal controls and reporting procedures. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. In addition, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements. We anticipate that these costs will materially increase our selling, general and administrative expenses.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting. In connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act of 2002, then we may not be able to obtain the independent account certifications required by that act, which may preclude us from keeping our filings with the SEC current, and interfere with the ability of investors to trade our securities and our shares to continue to be quoted on the NASDAQ exchange.

If we fail to maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. With each prospective acquisition we may make we will conduct whatever due diligence is necessary or prudent to assure us that the acquisition target can comply with the internal controls requirements of the Sarbanes-Oxley Act. Notwithstanding our diligence, certain internal controls deficiencies may not be detected. As a result, any internal control deficiencies may adversely affect our financial condition, results of operations and access to capital.

Risks Related to our Securities

We face risks associated with a purported securities class action lawsuit, which if successful, could have a material adverse effect on our results of operations and could harm our reputation.

On October 24, 2014, a purported class action lawsuit, Jordan Cianci v. Blue Earth, et. al., which purported to allege federal securities law claims against the Company and certain of its officers, was filed in the United States District Court for the Central District of California by the Rosen Law Firm. The plaintiff seeks unspecified damages on behalf of a purported claim of purchase of our common stock between October 7, 2013 and October 21, 2014, the date of publication of the aforementioned Seeking Alpha articles. Whether or not the litigation is successful, this type of litigation is often expensive and diverts management s attention and resources, which could adversely affect the operation of our business. Any adverse decision in this action, requiring us to pay substantial damages to the plaintiffs could result in a material adverse effect on our results of operations and could harm our reputation. We believe this lawsuit is without merit and will vigorously defend this matter.

Public company compliance may make it more difficult to attract and retain officers and directors.

The Sarbanes-Oxley Act and rules implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, these rules and regulations increase our compliance costs and make certain activities more time consuming and costly. As a public company, these rules and regulations may make it more difficult and expensive for us to maintain our director and officer liability insurance and we may be required to accept

reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers, and to maintain insurance at reasonable rates, or at all.

Our stock price may be volatile.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following: Our ability to execute our business plan and complete prospective acquisitions; changes in our industry; competitive pricing pressures; our ability to obtain working capital financing; additions or departures of key personnel; limited public float in the hands of a small number of persons whose sales or lack of sales could result in positive or negative pricing pressure on the market price for our common stock; sales of our common stock (particularly following effectiveness of this resale registration statement); operating results that fall below expectations; regulatory developments; economic and other external factors; period-to-period fluctuations in our financial results; and our inability to develop or acquire new or needed technologies.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We have not paid cash dividends in the past and do not expect to pay cash dividends in the future. Any return on investment may be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting us at the time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price increases.

Our shares of common stock are thinly traded, the price may not reflect our value, and there can be no assurance that there will be an active market for our shares of common stock either now or in the future.

Our shares of common stock are thinly traded and the price may not reflect our actual or perceived value. There can be no assurance that there will be an active market for our shares of common stock either now or in the future. The market liquidity depends on the perception of our operating business, among other things. This is evidenced by the decrease in value of our common stock following the commencement of a class action in October 2014. See Item 3 Legal Proceedings . There can be no assurance that there will be any increase in market awareness which will result in any impact on our trading volume. Consequently, investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business, and trading may be at an inflated price relative to the performance of the Company due to, among other things, availability of sellers of our shares.

Even with an active market, the price for our stock may be highly volatile. Because there is currently a low price for our shares of common stock, many brokerage firms or clearing firms are not willing to effect transactions in the securities or accept our shares for deposit in an account. Many lending institutions will not permit the use of low priced shares of common stock as collateral for any loans. .

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

If our stockholders sell substantial amounts of our common stock in the public market, including shares issuable upon the effectiveness of a registration statement, upon the expiration of any statutory holding period under Rule 144, or shares issued upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an overhang and, in anticipation of which, the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate. On May 14, 2014, our registration statement on Form S-1 (No. 333-188937) was declared effective by the SEC. Our registration statement on Form S-3 (No 333-200774) was declared effective by the SEC on January 2, 2015. An aggregate of 42,421,015 shares of Common Stock were registered for resale under such registration statements. In addition, up to $50 million of registered securities, debt or equity, may be issued for resale under our shelf negotiation statement on Form S-3 (No. 333-200107).

In general, a non-affiliated person who has held restricted shares for a period of six months, under Rule 144, may sell into the market our common stock all of their shares, subject to the Company being current in its periodic reports filed with the SEC. An affiliate may sell an amount equal to the greater of 1% of the outstanding shares (94,258,713) as of February 2, 2015 or the average weekly number of shares sold in the last four weeks prior to such sale. Such sales may be repeated once every three months, and any of the restricted shares may be sold by a non-affiliate without any restriction after they have been held one year.

Because our directors and officers are among our largest stockholders, they can exert significant control over our business and affairs and have actual or potential interests that may depart from those of our other stockholders.

Our directors and executive officers and/or their affiliates beneficially own or control approximately 10.8% of the issued and outstanding common stock and a larger percentage on a fully diluted basis. In addition, the holdings of our directors and executive officers may increase in the future upon vesting or other maturation of exercise rights under any of the options or warrants they may hold or in the future be granted or if they otherwise acquire additional shares of our common stock. As a result, in addition to their board seats and offices, such persons will have significant influence over and control all corporate actions requiring stockholder approval, irrespective of how the Company s other stockholders, may vote, including the following actions:

To elect or defeat the election of our directors; to amend or prevent amendment of our Certificate of Incorporation or By-laws; to effect or prevent a merger, sale of substantially all assets or other corporate transaction; and to control the outcome of any other matter submitted to our stockholders for vote.

In addition, these persons stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

Exercise of options and warrants may have a dilutive effect on our common stock.

If the price per share of our common stock at the time of exercise of any warrants, options, or any other convertible securities is in excess of the various exercise or conversion prices of these convertible securities, exercise or conversion of these convertible securities would have a dilutive effect on our common stock. The Company has no plans to issue additional warrants exercisable at $0.01 per share or otherwise below market. As of March 9, 2015, we had outstanding options, warrants and reserved derivative securities, which if exercised would result in the issuance of 19,196,036 shares of Common Stock, consisting (i) outstanding incentive stock options to purchase 2,596,866 shares of our common stock; (ii) warrants issued to Management, consultants and vendors to purchase an aggregate of 7,958,333 shares of common stock, including approximately 2,212,500 warrants exercisable at $0.01 per share; (iv) placement agent warrants to purchase 151,931 shares of Common Stock at an exercise price of $1.75 per share. and (v) Class B Warrants to purchase 8,521,654 shares of Common Stock at an exercise price of $6.00 per share. Upon exercise of the outstanding Class B Warrants, warrant holders will receive 8,521,654 Class C Warrants to purchase 8,521,654 shares of common stock at an exercise price of $12.00 per share. Therefore, an additional 17,043,308 shares of Common Stock are issuable upon full exercise of the Series B and Class C Warrants. The Class B and C Warrants have not been registered for resale with the SEC. Further, any additional financing that we secure may

require the granting of rights, preferences or privileges senior to those of our common stock and which result in additional dilution of the existing ownership interests of our common stockholders.

Redemption of warrants.

The Company may redeem each of the issued and outstanding Series B and C Warrants at $.001 per warrant on 20 days prior written notice. On October 7, 2013, the Company issued a notice of redemption for an aggregate of 8,832,126 Class A Warrants included in the Company s Registration Statement on Form S-1 (No. 333-181420). An aggregate of 4,029,154 Class A Warrants were exercised by holders and Standby Purchasers and the balance were redeemed.

Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.

There may be risks associated with us becoming public through a reverse merger. Securities analysts of major brokerage firms may not provide coverage of us since there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will, in the future, want to conduct any offerings on behalf of our company.

Our certificate of incorporation allows for our board of directors to create new series of preferred stock without further approval by our stockholders, which could act as an anti-takeover device.

Our Board of Directors has the authority to fix and determine the relative rights and preferences of preferred stock. On September 28, 2011, our Board of Directors had authorized the issuance of up to 300,000 shares of Series A Preferred Stock convertible on a ten for one basis into common stock and 297,067 shares of Series A Preferred Stock were issued. On March 30, 2012, our Board of Directors authorized the issuance of up to 300,000 shares of Series B Preferred Stock convertible on a ten for one basis into Common Stock and 283,052 shares of Series B Preferred Stock were issued, all of which have been converted. On March 28, 2013, our Board of Directors authorized the issuance of up to 500,000 shares of Series C Preferred Stock convertible on a ten for one basis into Common Stock and subsequently amended our Certificate of Incorporation to provide for 910,000 shares and 903,500 shares of Series C Preferred Stock were issued all of which have been converted. On February 14, 2015, our Board of Directors authorized the issuance of up to 400,000 shares of Series D Preferred Stock convertible on a ten for one basis as collateral upon an event of default in a debt financing. Our Board of Directors also has the authority to issue preferred stock without further stockholder approval. As a result, our Board of Directors could authorize the issuance of series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our Board of Directors could authorize the issuance of series of preferred stock that have greater voting power than our common stock or that are convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders. Unless the nature of a particular transaction and applicable statute require such approval, the Board of Directors has the authority to issue these shares without stockholder approval subject to approval of the holders of our preferred stock. The issuance of preferred stock may have the effect of delaying or preventing a change in control of the Company without any further action by the stockholders.

Provisions in our charter documents and Nevada law could discourage or prevent a takeover, even if an acquisition would be beneficial to our stockholders.

Provisions of our certificate of incorporation and by-laws, as well as provisions of Nevada law, could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These provisions include:

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authorizing the issuance of blank check preferred that could be issued by our Board of Directors to increase the number of outstanding shares and thwart a takeover attempt;

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prohibiting cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates; and

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advance notice provisions in connection with stockholder proposals that may prevent or hinder any attempt by our stockholders to bring business to be considered by our stockholders at a meeting or replace our board of directors.

Forward Looking Statements

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements relate to future events or future predictions, including events or predictions relating to our future financial performance, and are generally identifiable by use of the words "may," "will," "should," "expect," "plan," "anticipate," "believe," "feel," "confident," "estimate," "intend," "predict," "forecast," "potential" or "continue" or the negative of such terms or other variations on these words or comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks described under "Risk Factors" that may cause the Company's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In addition to the risks described in Risk Factors, important factors to consider and evaluate in such forward-looking statements include: (i) general economic conditions and changes in the external competitive market factors which might impact the Company's results of operations; (ii) unanticipated working capital or other cash requirements including those created by the failure of the Company to adequately anticipate the costs associated with acquisitions and other critical activities; (iii) changes in the Company's corporate strategy or an inability to execute its strategy due to unanticipated changes; (iv) the inability or failure of the Company's management to devote sufficient time and energy to the Company's business; and (v) the failure of the Company to complete any or all of the transactions described herein on the terms currently contemplated. In light of these risks and uncertainties, many of which are described in greater detail elsewhere in this Risk Factors discussion, there can be no assurance that the forward-looking statements contained in this prospectus will in fact transpire.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. We do not undertake any duty to update any of the forward-looking statements after the date of this prospectus to conform such statements to actual results or changes in our expectations.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The Company s executive offices are located at 2298 Horizon Ridge Parkway, Suite 205, Henderson, NV 89052; Tel (702) 263-1808. The Company entered into a 24 month lease for the facility expiring December 31, 2015 at a monthly rental of $3,000 for approximately 2,500 square feet of office space.

Blue Earth EMS s executive offices are located at 253 Polaris Avenue, Mountain View, California under a lease ending on June 30, 2014. The monthly rental is $5,350 for approximately 7,300 square feet of space, which features one conference room and shop and can accommodate three crews per day manufacturing gaskets. A second office is located at 41735 Elm St., Murrieta, CA 92562 under a lease expiring September 1, 2015 with option to renew for one year at a monthly rental of $1,100_for approximately 800 square feet office space and $250 per month for 1,000 square feet of warehouse space

Blue Earth Solar s executive offices are located at 5060 Shoreham Place, Suite 300, San Diego, California, 92122 . The monthly rental is $13,392 for approximately 6,377 square feet of office space. The lease expires in May of 2020

Blue Earth CHP s executive offices are located at 4778 N. 300 W., Suite 230, Provo, UT 84604 for approximately 6,500 square feet of space. The monthly rental is $7,345 under a 36 month lease ending June 30, 2016. A second office is located in Manhatten at 36-W37th Street P.H. New York, NY 10018. The monthly rental is $3,000 for a sublease of 500 square feet that expires September 1, 2015. There is a renewal clause and the lease can be terminated on a 30 day notice. A warehouse is located in New Jersey at 25 Sherman Avenue, North Arlington, New Jersey 07031. The monthly rental is $6,000 plus utilities for approximately 3,200 square feet. And the lease expires in October 2015 and is renewable without an increase. There is a 30 day termination clause.

Blue Earth PPS and EPS share executive offices located at 27120 SW 95th Street, Suite 3230, Wilsonville, OR 97010. The facility has 14,754 square feet of space. The monthly rental is $12,131 with increases to $13, 935 in the final lease year under a multi-year lease ending on March 31, 2020

Item 3. Legal Proceedings

From time to time, the Company may become involved in litigation relating to claims arising out of its operations in the normal course of business. Except as described below, no legal proceedings, government actions, administrative actions, investigations or claims are currently pending against us or involve the Company which, in the opinion of the management of the Company, could reasonably be expected to have a material adverse effect on its business or financial condition. There are no proceedings in which any of the directors, officers or affiliates of the Company, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to that of the Company.

Blue Earth and its subsidiary, Blue Earth Solar (f/k/a Xnergy), are parties to an arbitration proceeding with the American Arbitration Association (**AAA**) (Case No. 01-14-0000-6963 initially brought by them against National Energy Partners (**NEP**) and its subsidiary Hawaii Solar, LLC (the **NEP Parties**). The Company alleged that NEP is in arrears on the payment of EPC services performed by the Company for construction work on the 24 schools in Hawaii contracted for between the parties. The Company further alleged that NEP provided deficient design drawings and interfered with the construction of the projects and engaged in negligence, fraud and/or willful misconduct. The NEP Parties alleged that Blue Earth and Blue Earth Solar breached EPC Agreements for the construction of solar power systems for schools in Hawaii allegedly causing damages in the amount of $2,449,363 with costs continuing to accrue. Blue Earth and Blue Earth Solar deny these allegations, contend that the NEP Parties breached the contracts and are vigorously defending this matter. Subsequent to the Company commencing the above-described arbitration, it learned that Hawaii Solar did not possess a Hawaii contractor license and a Hawaii construction contractor license at any time. The Company then withdrew its demand for arbitration without prejudice. The Company expects to prevail in this dispute, which would result in no material adverse consequences to the Company, other than legal costs and a delay in the recognititon of revenue. However, if NEP prevails, the Company is likely to lose about $1.6 million on the work performed to date, as well as a possibility of limited damage payments. Blue Earth is defending against counterclaims raised in the arbitration. On August 6, 2014, Blue Earth. and Blue Earth Solar commenced a civil action for declaratory and injunctive relief and damages against NEP in the Circuit Court of the First Circuit of Hawaii (CIV No.

14-1-1694-08). The Company is seeking damages in excess of $1,300,000 and a declaratory judgment and injunctive relief that the subcontracts are invalid, void and unenforceable, the arbitration provision in the subcontracts is unenforceable and the pending arbitration should be terminated.

Blue Earth is currently a party to an American Arbitration Association proceeding (Case No.: 01-14-0000-0952) commenced by D. Jason Davis and Joseph Patalano, two consultants that have alleged that Blue Earth violated the "no disparagement" clause of their Consulting Agreement dated February 17, 2014 with Blue Earth. They alleged that the Company interfered with the ability of the Consultants to perform their consulting duties. Blue Earth believes the claims are without merit and alleges that the Consultants failed to perform consulting work as required and never intended to perform under the Consulting Agreement. The proceedings are in the discovery stage. The Company expects to prevail in this arbitration proceeding and does not expect said action will have any material adverse consequences to the Company.

On October 24, 2014, a purported Class Action lawsuit, captioned Jordan Cianci individually and on behalf of all others similarly situated v. Blue Earth, Inc., Johnny R. Thomas [an executive officer], John Francis [a non-executive officer], and Brett Woodard [an executive officer] was filed in the U.S. District Court for the Central District of California (Case No: 2:14-cv-08263). The complaint is based, in large part, on the allegations contained in an anonymous article posted on October 21, 2014 on the website SeekingAlpha.com . The Company has previously responded to the SeekingAlpha allegations in a press release dated October 21, 2014 and refuted the veracity of the claims made in the article. The Company believes the claims contained in the complaint are without merit and is vigorously defending this matter with counsel appointed by the insurance carrier.

On November 6, 2014, Broadway Family Group LLC, a terminated consultant to Blue Earth, commenced a civil action in the District Court, Clark County, Nevada (Case No.: 1-14-709424-C). The former consultant alleges that the consulting agreement with the Company was terminated without cause as alleged by the Company and that its 1,200,000 warrants to purchase common stock at $1.18 per share became fully vested. The Company believes the claims in the complaint are without merit and has answered the complaint denying the claims and is vigorously defending this matter with counsel appointed by the insurance carrier.

On November 17, 2014, the members of the Board of Directors of Blue Earth were served with a demand letter from Anthony M. Santos, Esq., that was purportedly sent on behalf of the shareholders holding 15% of the issued and outstanding stock of the Company. The letter alleges certain breaches of fiduciary duties by Blue Earth s principals. The Company s counsel has requested information concerning the purported shareholders and has not received a response. The Company believes that the claims are without merit and will vigorously defend this matter.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock has been quoted on the NASDAQ Capital Market under the symbol BBLU since August 29, 2014. Prior thereto, from October 28, 2010, it was quoted on the OTC QB under the symbol BBLU. As of March 9, 2015, there were 155 holders of record of our common stock.

The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by NASDAQ since August 29, 2014 and prior thereto by the OTC QB. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Period	High	Low
Year Ending December 31, 2014		
January 1, 2014 through March 31, 2014	$ 3.60	$ 2.48
April 1, 2014 through June30, 2014	$ 3.10	$ 2.09
July 1, 2014 through September 30, 2014	$ 3.77	$ 2.30
October 1, 2014 through December 31, 2014	$ 3.56	$ .775
Year Ended December 31, 2013		
October 1, 2013 through December 31, 2013	$ 3.44	$ 1.75
July 1, 2013 through September 30, 2013	$ 3.50	$ 2.47
April 1, 2013 through June 30, 2013	$ 3.74	$ 1.10
January 1, 2013 through March 31, 2013	$ 1.27	$ 0.89
Year Ended December 31, 2012		
October 1, 2012 through December 31, 2012	$ 1.50	$ 0.99
July 1, 2012 through September 30, 2012	$ 1.70	$ 1.00
April 1, 2012 through June 30, 2012	$ 1.45	$ 1.00
January 1, 2012 through March 31, 2012	$ 1.50	$ 1.01

The last reported sales price of our common stock on NASDAQ on March 9, 2015, was $1.01 per share.

Dividend Policy

We have not declared nor paid any cash dividend on our common stock, and we currently intend to retain future earnings, if any, to finance the expansion of our business, and we do not expect to pay any cash dividends in the foreseeable future. The decision whether to pay cash dividends on our common stock will be made by our board of directors, in their discretion, and will depend on our financial condition, results of operations, capital requirements and other factors that our board of directors considers significant.

Issuer Purchases

None.

Securities Authorized for Issuance under Equity Compensation Plans.

The Company has options outstanding under its 2009 Equity Incentive Plan (the 2009 Plan), which was approved by shareholders in October 2009.

The 2009 Plan is the Company s only equity compensation plan currently in effect. Under the 2009 Plan, 4,542,000 options were authorized for future grant. Options granted under the 2009 Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted. The options expire ten years after the date of grant.

The following is a summary of the securities issued and authorized for issuance under our 2009 Plan at December 31, 2014:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted - average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	2,564,118	$ 2.54	1,298,128
Equity compensation plans not approved by shareholders(1)	-0-	-0-	-0-
Total	2,564,118	$ 2.54	1,298,128

Of the 2,564,118 options outstanding on December 31, 2014, 1,500,000 were held by the Company s officers and directors.

(1)

The Company has issued warrants but has no equity compensation plan that was not approved by shareholders as of December 31, 2014.

Item 6. Selected Financial Data.

The following tables set forth a summary of our consolidated financial data as of and for the five fiscal years ended December 31, 2014. The selected financial data for the five fiscal years ended December 31, 2014, have been derived from our audited consolidated financial statements. The selected financial data presented below should be read in conjunction with our consolidated financial statements, related notes, other financial information included elsewhere in this report, including the information set forth in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations. Certain items in prior years information have been reclassified to conform to the 2013 presentation. These tables have been restated for discontinued operations of HVAC for 2014, 2013, 2012 and 2011and for discontinued operations of Genesis Fluid Solutions, Ltd. for 2010.

(in thousands, except per share data)

Year Ended December 31,	**2014**	**2013**	**2012**	**2011**	**2010**
Revenue	$ 18,261	$ 10,306	$ 8,467	$ 4,914	$ --
Operating loss	(26,934)	(25,359)	(11,311)	(13,150)	(2,670)
Net loss	(27,614)	(25,473)	(9,607)	(14,018)	(3,588)
Loss per share-continuing operations	(0.38)	(0.69)	(0.51)	(0.93)	(0.18)
Net Loss per share	(0.40)	(0.79)	(0.54)	(0.93)	(0.24)
Cash, cash equivalents, and short-term investments	2,967	8,404	485	505	3,900
Total assets	102,739	86,431	14,947	14,083	3,952
Long-term obligations	66	0	0	0	0
Stockholders equity	$ 96,408	$ 79,338	$ 8,278	$ 7,245	$ 2.627

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this prospectus. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under Risk Factors .

Company Overview

Blue Earth, Inc. and subsidiaries (the Company) is a comprehensive provider of energy efficiency and alternative/renewable energy solutions for small and medium sized commercial and industrial facilities. The Company also owns, manages and operates independent power generation systems constructed in conjunction with these services. Our turnkey energy solutions enable our customers to reduce or stabilize their energy related expenditures and lessen the impact of their energy use on the environment. Our services include the development, engineering, construction, operation and maintenance and in some cases, financing of small and medium scale alternative/renewable energy power plants including solar photovoltaic (PV), Combined Heat and Power (CHP) or on-site cogeneration and fuel cells.

Results of Operations

Twelve months ended December 31, 2014 Compared with Twelve Months Ended December 31, 2013

The following Management s Discussion and Analysis is prepared to provide an understanding of the Company s business activities. We acquired IPS Power Engineering, Inc. effective July 15, 2013, Intelligent Power, Inc. effective July 24, 2013 and Millennium Power Solutions effective August 23, 2013. We disposed of HVAC as of January 24, 2014 and have retroactively restated our financial statements for the discontinued operations. The following discussion excludes the discontinued operations of HVAC. We have also provided pro forma numbers as though the

acquisitions were effective January 1, 2013 so that the numbers are comparable.

Revenues

We recognized $18,260,758 revenue for the twelve months ended December 31, 2014, as compared to $10,305,736 for the twelve months ended December 31, 2013. Revenue represents sales from our, wholly-owned subsidiaries BEEMS, whose sales include retrofitting refrigeration equipment with energy management systems and gasket sales, from our wholly-owned subsidiary BE Solar which provides a wide range of energy solutions, including specialized mechanical engineering and the design, construction and implementation of energy savings products. During 2014, BEEMS s sales ($5,790,042) for the twelve months accounted for 31.7% of total revenues, while BE Solar s sales accounted for 49.3% ($9,001,110) most of which is EPC work on solar projects, Other sales accounted for 19.0% ($3,469,606) including $1,974,807 from the sale of a solar project in Hawaii, $903,467 from BEEPS systems sales and $591,332 from BE Generator services fees . During 2013, Castrovilla s sales ($3,366,037) for the twelve months accounted for 32.7% of total revenues, while Xnergy s sales accounted for 64.6% ($6,656,828) most of which is EPC work on solar projects and other sales accounted for 2.7% ($282,871). The increase in Xnergy (n/k/a BE Solar) sales was the direct result of allocating most of BE Solar s resources to development of a pipeline of solar and alternative energy construction projects. Revenues for Xnergy are expected to increase in 2015 due to solar projects being constructed in HI and due to the signing of a solar finance partner to purchase solar projects at completion, which facilitates construction financing. Revenues for EPS are expected to increase in 2015 due to city and county agencies adopting the technology and a nationwide distribution network in place. Revenues for Castrovilla are expected to increase due to a new national service account and an increase in online sales.

Pro Forma Revenues

We recognized $18,260,758 of pro forma revenue for the twelve months ended December 31 2014, as compared to pro forma $10,466,736 for the twelve months ended December 31, 2013. Revenue represents sales from the Company s wholly-owned subsidiaries. BE Solar sales for the twelve months increased by 35.2% to $9,001,110 (from $6,656,828), BEEMS sales for the twelve months increased by 72.0%, (from $3,366,037 to $5,790,042) and BEEPS sales for the twelve months increased by 742.4%, (from $107,253 to $903,467). The increase in BE Solar sales was the direct result of allocating most of BE Solar s resources to development of a pipeline of solar and alternative energy construction projects. Revenues for BE Solar are expected to increase in 2015 due to solar projects being constructed in Indiana and due to the signing of a solar finance partner to purchase solar projects at completion, which facilitates construction financing. Revenues for BEEMS are expected to increase due to a new national service account and an increase in online sales. Revenues for BEEPS are expected to increase in 2015 due to city and county agencies adopting the technology and a nationwide distribution network in place.

Cost of Sales and Gross Profit

Cost of sales for the twelve months ended December 31, 2014 were $14,085,538, compared to $7,166,464, for the twelve months ended December 31, 2013, resulting in a gross profit of $4,175,220, or 22.9% of revenues. BEEMS gross margin in 2014 was $3,693,782 or 63.8% compared to $1,828,288, or 54.3% of revenues in 2013. BE Solar s gross margin was $(212,869) or (2.4%) in 2014 compared to $1,122,074, or 16.9% in 2013. BEEMS energy efficiency projects have higher gross margins than BE Solar s construction projects. In particular during 2014 BE Solar completed several projects in Hawaii that incurred substantial cost overruns. BE Solar expects to return to historical gross margins in 2015.

Pro Forma Cost of Sales and Gross Profit

Pro forma cost of sales for the twelve months ended December 31, 2014 were $14,085,538, compared to $7,313,368 for the twelve months ended December 31, 2013, resulting in a gross profit of $4,175,220 or 22.9% of revenues compared to $3,153,368, or 30.1% of revenues in 2013. BE Solar s gross margin was $(212,869) or (2.4%) in 2014 compared to $1,122,074, or 16.9% in 2013. BEEMS energy efficiency projects have higher gross margins than BE Solar s construction projects. In particular during 2014 BE Solar completed several projects in Hawaii that incurred substantial cost overruns. BE Solar expects to return to historical gross margins in 2015.

Operating Expenses

Operating expenses were $31,109,358 for the twelve months ended December 31, 2014 as compared to $28,497,962 for the twelve months ended December 31, 2013, an increase of $2,611,396 or 9.2%, due to increased compensation expense for management and consultants in relation to the overall growth of our revenues. During the year ended December 31, 2014 we incurred $7,197,273 of stock based compensation expense compared to $17,106,843 during 2013. Approximately $4,247,447 (13.7%) of our operating expenses for the twelve months ended December 31, 2014 were from the operations of BEEMS and $5,728,652 (18.4%) were from BE Solar with the balance of $21,133,259 (67.9%) from our corporate administrative expenses and other subsidiaries. $2,782,819 (9.8%) of the operating expenses for the twelve months ended December 31, 2013 were from the operations of BEEMS and $3,052,414 (10.7%) were from BE Solar with the balance of $22,662,729 (79.5%) from our administrative expenses and other subsidiaries. Our administrative expenses for 2014 include $4,559,985 from the amortization of intangible assets acquired with BE Capital, BEEMS, BE Solar, BEPPS and BEEPS compared to $2,617,618 for 2013.

Pro Forma Operating Expenses

Pro forma operating expenses were $31,109,358 for the twelve months ended December 31, 2014 as compared to $30,191,653 for the twelve months ended December 31, 2013, due to increased compensation expense for management and consultants in relation to the overall growth of our revenues. During the year ended December 31, 2014 we incurred $7,197,273 of stock based compensation expense compared to $17,478,571 during 2013. Approximately $4,247,447 (13.7%) of our operating expenses for the twelve months ended December 31, 2014 were from the operations of BEEMS and $5,728,652 (18.4%) were from BE Solar with the balance $21,133,259 (67.9%)from our corporate administrative expenses. $2,782,819 (9.2%) of the operating expenses for the twelve months ended December 31, 2013 were from the operations of BEEMS and $3,052,414 (10.1%) were from BE Solar with the balance $24,356,420 (80.7%) from our corporate administrative expenses and other subsidiaries. Our pro forma administrative expenses for 2014 include $4,559,985 from the amortization of intangible assets acquired with BE Capital, BEEMS, BE Solar, BEPPS and BEEPS compared to $3,153,078 for 2013.

Net Loss

The net loss from continuing operations for the twelve months ended December 31, 2014 was $27,614,459, a $2,337,315 or 9.2% increase from the $25,277,153 for the twelve months ended December 31, 2013. This translates to a loss per share of $0.40 from continuing operations in 2014 compared to $0.78 in 2013.

Pro Forma Net Loss

The pro forma net loss from operations for the twelve months ended December 31, 2014 was $27,614,459, a $462,816 or 1.7% increase over the net loss of $27,151,643 for the twelve months ended December 31, 2013. This translates to a pro forma loss per share of $0.40 in 2014 compared to $0.79 in 2013.

Twelve Months Ended December 31, 2013 Compared with Twelve Months Ended December 31, 2012

The following Management s Discussion and Analysis is prepared to provide an understanding of the Company s business activities. We acquired IPS Power Engineering, Inc. effective July 15, 2013, Intelligent Power, Inc. effective July 24, 2013 and Millennium Power Solutions effective August 23, 2013. We disposed of HVAC as of January 24,

2014 and have restated our financial statements. The following discussion excludes the discontinued operations of HVAC. We have also provided pro forma numbers as though the acquisitions were effective January 1, 2012 so that the numbers are comparable.

Revenues

We recognized $10,305,736 revenue for the twelve months ended December 31, 2013, as compared to $8,466,965 for the twelve months ended December 31, 2012. Revenue represents sales from our, wholly-owned subsidiaries Castrovilla (n/k/a BEEMS), whose sales include retrofitting refrigeration equipment with energy management systems and gasket sales, from our wholly-owned subsidiary Xnergy (n/k/a BE Solar, which provides a wide range of energy solutions, including specialized mechanical engineering and the design, construction and implementation of energy savings products. During 2013, Castrovilla s sales ($3,366,037) for the twelve months accounted for 32.7% of total revenues, while Xnergy s sales accounted for 64.6% ($6,656,828) most of which is EPC work on solar projects and other sales accounted for 2.7% ($282,871). During 2012, Castrovilla s sales ($3,444,821) for the twelve months represented 40.7% of total revenues while Xnergy s sales accounted for 59.3% ($5,022,144). The increase in Xnergy sales was the direct result of allocating most of Xnergy s resources to development of a pipeline of solar and alternative energy construction projects. Revenues for Xnergy are expected to increase in 2014 due to solar projects being constructed in HI and due to the signing of a solar finance partner to purchase solar projects at completion, which facilitates construction financing. Revenues for EPS are expected to increase in 2014 due to city and county agencies adopting the technology and a nationwide distribution network in place. Revenues for Castrovilla are expected to increase due to a new national service account and an increase in online sales.

Pro Forma Revenues

We recognized $10,466,736 of pro forma revenue for the twelve months ended December 31 2013, as compared to pro forma $8,566,660 for the twelve months ended December 31, 2012. Revenue represents sales from the Company s wholly-owned subsidiaries. Xnergy sales for the twelve months increased by 32.5% to $6,656,828 (from $5,022,144), Castrovilla s sales for the twelve months decreased by 2.3%, (from $3,444,821 to $3,366,037). The increase in Xnergy sales was the direct result of allocating most of Xnergy s resources to development of a pipeline of solar and alternative energy construction projects. Revenues for Xnergy expected to increase in 2014 due to solar projects being constructed in HI and due to the signing of a solar finance partner to purchase solar projects at completion, which facilitates construction financing. Revenues for EPS are expected to increase in 2014 due to city and county agencies adopting the technology and a nationwide distribution network in place. Revenues for Castrovilla are expected to increase due to a new national service account and an increase in online sales.

Cost of Sales and Gross Profit

Cost of sales for the twelve months ended December 31, 2013 were $7,166,464, compared to $5,609,836, for the twelve months ended December 31, 2012, resulting in a gross profit of $3,139,272, or 30.4% of revenues. Castrovilla s gross margin was $1,828,288, or 54.3% of revenues while Xnergy s gross margin was $1,122,074, or 16.9%. Castrovilla s energy efficiency projects have higher gross margins than Xnergy s construction projects.

Pro Forma Cost of Sales and Gross Profit

Pro forma cost of sales for the twelve months ended December 31, 2013 were $7,313,368, compared to $5,685,174 for the twelve months ended December 31, 2012, resulting in a gross profit of $3,153,368, or 30.7% of revenues. In 2012 Castrovilla s gross margin was, $1,291,127, or 37.5% of revenues while Xnergy s pro forma gross margin was $1,566,002, or 31.2%. Castrovilla s energy efficiency projects have higher gross margins than Xnergy s construction projects.

Operating Expenses

Operating expenses were $28,497,962 for the twelve months ended December 31, 2013 as compared to $14,167,889 for the twelve months ended December 31, 2012, an increase of $14,330,073 or 101.1%, due to common stock, options and warrants granted to management and consultants. During the year ended December 31, 2013 we incurred $17,106,843 of stock based compensation expense compared to $4,805,023 during 2012. Approximately $2,782,819 of our operating expenses for the twelve months ended December 31, 2013 were from the operations of Castrovilla and $3,052,414 were from Xnergy with the balance of $22,662,729 from our corporate administrative expenses. $2,322,778 of the operating expenses for the twelve months ended December 31, 2012 were from the operations of Castrovilla and $2,531,521 were from Xnergy with the balance of $9,313,590 our administrative expenses. Our administrative expenses for 2013 include $2,617,618 from the amortization of intangible assets acquired with Castrovilla, Xnergy, IP and MPS compared to $2,319,095 for 2012.

Pro Forma Operating Expenses

Pro forma operating expenses were $30,191,653 for the twelve months ended December 31, 2013 as compared to $15,732,561 for the twelve months ended December 31, 2012, due to an increase of $12,301,820 to common stock, options and warrants granted to management and consultants. During the year ended December 31, 2013 we incurred $17,478,571 of stock based compensation expense compared to $4,805,023 during 2012. Approximately $2,782,819 of our operating expenses for the twelve months ended December 31, 2013 were from the operations of Castrovilla and $3,052,414 were from Xnergy with the balance $24,356,420 from our corporate administrative expenses. $2,322,778 of the operating expenses for the twelve months ended December 31, 2012 were from the operations of Castrovilla and $2,531,521 were from Xnergy with the balance $10,878,262 from our corporate administrative expenses. Our pro forma administrative expenses for 2013 include $3,153,666 from the amortization of intangible assets acquired with Castrovilla, Xnergy, IP and MPS compared to $3,153,078 for 2012.

Net Loss

The net loss from continuing operations for the twelve months ended December 31, 2013 was $25,277,153, a $15,636,575, or 162% increase from the $9,640,578 for the twelve months ended December 31, 2012. This translates to a loss per share of $0.78 from continuing operations in 2013 compared to $0.54 in 2012.

Pro Forma Net Loss

The pro forma net loss from operations for the twelve months ended December 31, 2013 was $27,151,643, a $15,981,335 or 143% increase over the net loss of $11,170,308 for the twelve months ended December 31, 2012. This translates to a pro forma loss per share of $0.79 in 2011 compared to $0.54 in 2012.

Liquidity and Capital Resources as of December 31, 2014

Net cash used in continuing operations during the twelve months ended December 31, 2014 (Fiscal 2014) totaled $13,616,294 which resulted primarily from the operating expenses associated with the parent company related to carrying out our business plan. In addition to a net loss of $27,614,459, we recognized an increase in accounts receivable and billings in excess of $1,705,136 and an increase in restricted cash totaling $632,102. These increases were partially offset by stock based compensation expense of $7,368,194 and $4,715,992 of depreciation and amortization expense and an increase in accounts payable and accrued expenses of $1,102,647.

Net cash used in continuing operations during the twelve months ended December 31, 2013 (Fiscal 2013) totaled $11,969,742 which resulted primarily from the operating expenses associated with the parent company related to carrying out our business plan. In addition to a net loss of $25,473,394, we recognized an increase in prepaid expenses and deposits of $1,013,109, an increase in accounts receivable and billings in excess of costs of $2,827,827 and an increase in construction in progress totaling $1,548,859. These decreases were partially offset by stock based compensation expense of $17,106,843 and $2,745,126 of depreciation and amortization expense.

Net cash used in continuing operations during the twelve months ended December 31, 2012 totaled $5,686,300 which resulted primarily from the operating expenses associated with the parent company related to carrying out our business plan. In addition to a net loss of $9,607,134, we incurred a decrease in the warrant derivative liability of $2,037,325, an increase in billings in excess of costs of $2,615,316. These decreases were partially offset by common stock, options and warrants issued for services expensed at $4,805,023 and $2,532,673 of depreciation and amortization expense.

Net cash used in investing activities during Fiscal 2014 totaled $14,695,218. Of this amount, $12,698,024 was used to purchase property and equipment, primarily for the construction of CHP facilities, $1,622,993 was an investment in PowerGenix and $2,429,150 was the purchase of natural gas futures. We received $1,848,321 from the sale of a construction project. Net cash used in investing activities during Fiscal 2013 totaled $2,321,905. Of this amount, $126,351 was used to purchase property and equipment and $2,195,554 were loans made to unrelated parties to enhance our access to solar panels. Net cash used in continuing investing activities during Fiscal 2012 totaled $10,188 and resulted from the purchase of property and equipment.

Net cash provided by continuing financing activities during Fiscal 2014 totaled $22,893,071 and resulted from $12,710,411 of net proceeds from the exercise of common stock warrants and options and $10,000,000 in proceeds from the sale of common stock. These proceeds were offset, in part, by payments on notes payable of $1,992,484 and related party loans of $4,004.

Net cash provided by continuing financing activities during Fiscal 2013 totaled $22,138,931 and resulted from $8,517,315 of net proceeds from the sale of preferred stock, $12,396,321 from the net exercise of warrants and options and $3,000,000 in proceeds from a line of credit. These proceeds were offset, in part, by payments on notes payable of $2,034,312 and related party loans of $691,853. Included in the foregoing, on October 30, 2013, David Lies, a principal stockholder of the Company purchased 333,334 shares of Common Stock upon the exercise of Class A Warrants for a purchase price of $1,000,000 evidenced by a promissory note due December 21, 2013 and the pledge of the underlying common stock, which loan was repaid.

Net cash provided by continuing financing activities during Fiscal 2012 totaled $5,720,251 and resulted from $3,598,388 of net proceeds from the sale of preferred stock, $91,950 from the exercise of warrants, $1,605,000 from related party loans and $1,208,008 from the proceeds of notes payable. These inflows were offset, in part, by payments on notes payable of $776,481 and payments on related party loans of $6,614.

At December 31, 2014, we had working capital of $6,181,199 including $2,967,408 in cash. At December 31, 2013, we had working capital of $14,321,543, including $8,403,731 in cash. The decrease in working capital was primarily the result of the expenditures on the CHP projects.

We anticipate our revenue generating activities to continue and even increase as we seek and make acquisitions. Our ability to continue as a going concern is subject to our ability to generate profits and/or obtain necessary funding from outside sources, including by the sale of our securities, or obtaining loans from lenders, where possible. Our continued net operating losses increase the difficulty of our meeting these goals, and our efforts to continue as a going concern may not prove successful. Nonetheless, the Company expects that it has sufficient cash and borrowing capacity to meet its working capital needs for at least the next 12 months, although there can be no assurance of same. Historically, we have financed our working capital and capital expenditure requirements primarily from the sales of our equity securities. We may seek additional equity and/or debt financing in order to implement our business plan. Any additional equity or convertible debt financing will be dilutive to existing shareholders and may involve preferential rights over common shareholders. Debt financing, with or without equity conversion features, may involve restrictive covenants.

On February 22, 2013, we entered into a credit agreement with a $10 million line of credit of which $4,000,000 was available at December 31, 2014. Subsequent to December 31, 2014 we received $3,000,000 of proceeds on line of credit which will be paid monthly with interest at 12% per annum. Additional draws are subject to approval of the planned use of proceeds by the lender in order to borrow against the facility. On March 10, 2015, the Company entered into a Note and Warrant Purchase Agreement, pursuant to which Jackson Investment Group, LLC ("Jackson"), a principal shareholder of the Company, purchased a $10 million 12% Senior Secured Convertible Note. The Note is due September 10, 2015 and is secured by all of the capital stock and assets of the Company and its subsidiaries (who have also guaranteed payment of the Note), except for the two subsidiaries pledged to the prior Lender described above. The Note is convertible at any time at $1.00 per share and solely to the extent not converted prior to maturity, Jackson has an option to purchase up to 10,000,000 shares at $1.00 per share for six (6) months commencing

upon repayment of the Note. Jackson also received 200,000 shares of the Company's common stock as a commitmcnt fee and a five (5)-year warrant to purchase 2,000,000 shares at $1.00 per share. See Risk Factors -- Our credit facilities and debt instruments contain financial and operating restrictions that may limit our business activities and our access to credit.

Related Party Transactions

During the years ended December 31, 2014 and 2013 we borrowed $-0- and $420,000, respectively, from a director. We repaid $4,004 and $691,853 to related parties during the years ended December 31, 2014 and 2013, respectively. We currently have outstanding a note payable to a director in the amount of $1,333,147 which accrues interest at 12% per annum, which is due upon demand and is secured by the cash flow from the California solar projects.

Off-Balance Sheet Arrangements

Since our inception, except for standard operating leases, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

Use of Estimates

Management s discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including, but not limited to valuation of accounts receivable and allowance for doubtful accounts, those related to the estimates of depreciable lives and valuation of property and equipment, valuation of derivatives, valuation of payroll tax contingencies, valuation of share-based payments, and the valuation allowance on deferred tax assets.

Accounts Receivable

The Company records accounts receivable related to its construction contracts based on billings or on amounts due under the contractual terms. Accounts receivable throughout the year may decrease based on payments received, credits for change orders, or back charges incurred.

Management reviews accounts receivable periodically to determine if any receivables will potentially be uncollectible. Management s evaluation includes several factors including the aging of the accounts receivable balances, a review of significant past due accounts, economic conditions, and our historical write-off experience, net of recoveries. The Company includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve, in its allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Revenue Recognition

The Company generates revenues from professional services contracts. Customers are billed, according to individual agreements. Revenues from professional services are recognized on a completed-contract basis, in accordance with ASC Topic 605-35, Construction-Type and Production-Type Contracts. Under the completed-contract basis, contract costs are recorded to a deferred asset account and billings and/or cash received are recorded to a deferred revenue liability account during the periods of construction. Costs include direct material, direct labor and subcontract labor. All revenues, costs, and profits are recognized in operations upon completion of the contract. A contract is considered complete when all costs except insignificant items have been incurred and final acceptance has been received from the customer. Corporate general and administrative expenses are charged to the periods as incurred. However, in the event a loss on a contract is foreseen, the Company will recognize the loss as incurred.

For uncompleted contracts, the deferred asset (accumulated contract costs) in excess of the deferred liability (billings and/or cash received) is classified under current assets as Costs in excess of billings on uncompleted contracts. The deferred liability (billings and/or cash received) in excess of the deferred asset (accumulated contract costs) is classified under current liabilities as Billings in excess of costs on uncompleted contracts. Contract retentions are included in accounts receivable.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, Income Taxes. Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year, and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity s financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if, based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized. A liability (including interest if applicable) is established in the consolidated financial statements to the extent a current benefit has been recognized on a tax return for matters that are considered contingent upon the outcome of an uncertain tax position. Applicable interest is included as a component of income tax expense and income taxes payable.

Contractual Obligations at December 31, 2014

		Payments due by period			
Contractual Obligations	Total	Less than 1 year	2-3 Years	4-5 years	More than 5 years
Long-Term Debt Obligations	$ 118,179	$ 51,792	$ 58,856	$ 7,531	$ -0-
Capital Lease Obligations					
Operating Lease Obligations	6,371,400	664,959	1,251,552	1,209,264	3,245,625
Purchase Obligations					
Other Long-Term Liabilities Reflected on the Registrant s Balance Sheet under GAAP					
Total	$ 6,489,579	$ 716,751	$ 1,310,408	$ 1,216,795	$ 3,245,625

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data

The Audited Financial Statements of the Company for the Fiscal Years Ended December 31, 2014, 2013 and 2012 are included following Item 14 of this Report.

QUARTERLY INFORMATION (UNAUDITED)

Selected financial data by calendar quarter were as follows
(In thousands, except per share amounts)

Quarter Ended	**March 31,**	**June 30,**	**September 30,**	**December 31,**	**Total**
Fiscal Year 2014					
Revenue	$ 3,234	$ 3,561	$ 2,678	$ 8,788	$ 18,261
Gross Profit	1,446	1,433	703	593	4,175
Net Loss	(5,686)	(4,712)	(7,842)	(9,374)	(27,614)
Loss per share	(0.10)	(0.09)	(0.12)	(0.10)	(0.40)
Fiscal Year 2013					
Revenue	$ 2,163	$ 2,535	$ 2,268	$ 3,339	$ 10,305
Gross profit	718	838	1,177	406	3,139
Net loss	(1,877)	(5,341)	(5,068)	(13,187)	(25,473)
Loss per share continuing operations	(0.10)	(0.22)	(0.08)	(0.29)	(0.69)
Loss per share	(0.10)	(0.22)	(0.09)	(0.29)	(0.70)

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Exchange Act), as of the period covered by this report. Disclosure controls and procedures are defined by as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon their evaluation, our management (including our Chief Executive Officer and Chief Financial Officer) concluded that our disclosure controls and procedures were effective as of December 31, 2014.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a set of processes designed by, or under the supervision of, a company s principal executive and principal financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

.

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets,

.

provide reasonable assurance our transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and

.

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statement.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It should be noted that any system of internal control, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including its principal executive officer and principal financial officer, the Company s management assessed the design and operating effectiveness of internal control over financial reporting as of December 31, 2014 based on the framework set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Based on this assessment, management concluded that the Company s internal control over financial reporting was effective as of December 31, 2014.

Changes in Internal Control over Financial Reporting

During the Company's last fiscal quarter management implemented some internal controls which remediated material weaknesses identified during its initial assessment of the effectiveness of the internal controls. These controls included the hiring of an accounting manager to oversee the accounting staff of each subsidiary and the implementation of a reporting process to assure the timely completion of accounting data. The ultimate year end assessment of the controls which occurred after these procedures were implemented resulted in management s conclusion that the Company s internal controls over financial reporting are effective.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item will be set forth in our definitive proxy statement with respect to our 2014 annual meeting of stockholders to be filed not later than 120 days after December 31, 2014 and is incorporated herein by this reference.

Item 11. Executive Compensation.

The information required by this item will be set forth in our definitive proxy statement with respect to our 2014 annual meeting of stockholders to be filed not later than 120 days after December 31, 2014 and is incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item will be set forth in our definitive proxy statement with respect to our 2014 annual meeting of stockholders to be filed not later than 120 days after December 31, 2014 and is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be set forth in our definitive proxy statement with respect to our 2014 annual meeting of stockholders to be filed not later than 120 days after December 31, 2014 and is incorporated herein by this reference.

Item 14. Principal Accounting Fees and Services.

The information required by this item will be set forth in our definitive proxy statement with respect to our 2014 annual meeting of stockholders to be filed not later than 120 days after December 31, 2014 and is incorporated herein by this reference.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Blue Earth, Inc. and Subsidiaries
Henderson, Nevada

We have audited the accompanying consolidated balance sheets of Blue Earth, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blue Earth, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Blue Earth, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992, and our report dated March 16, 2015 expressed an unqualified opinion on the effectiveness of Blue Earth, Inc. s internal control over financial reporting.

/s/ HJ & Associates, LLC
Salt Lake City, Utah

March 16, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Blue Earth, Inc.
Henderson, Nevada

We have audited Blue Earth, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992. Blue Earth, Inc. and Subsidiaries management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Blue Earth, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Blue Earth, Inc. and Subsidiaries and our report dated March 16, 2015 expressed an unqualified opinion.

/s/ HJ & Associates, LLC
Salt Lake City, Utah
March 16, 2015

BLUE EARTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

ASSETS	December 31, 2014	December 31, 2013
CURRENT ASSETS		
Cash and cash equivalents	$ 2,967,408	$ 8,403,731
Restricted cash	632,102	-
Accounts receivable, net	2,515,772	5,844,119
Costs and revenues in excess of billings	3,967,207	395,442
Inventory, net	569,888	383,799
Construction in progress	68,212	2,254,902
Other receivables	78,926	2,195,554
Prepaid expenses and deposits	1,646,301	1,936,743
Total Current Assets	12,445,816	21,414,290
PROPERTY AND EQUIPMENT, net	56,982,778	858,212
OTHER ASSETS		
Deposits	80,455	50,692
Natural gas futures	2,426,266	-
Long term receivables	1,587,548	-
Equity method investment	9,353,402	-
Construction in progress-internal	-	44,035,500
Contracts and technology, net	19,863,096	19,820,580
Assets of discontinued operations	-	251,492
Total Other Assets	33,310,767	64,158,264
TOTAL ASSETS	$ 102,739,361	$ 86,430,766
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 4,071,164	$ 2,658,368
Current portion of notes payable	162,445	1,504,476
Related party payables	1,333,147	1,337,151
Billings in excess of revenues	-	438,952
Deferred revenues	-	11,993
Accrued expenses	480,502	422,456
Payroll expenses payable	217,359	125,052
Preferred dividends payable	-	403,690
Liabilities of discontinued operations	-	190,609
Total Current Liabilities	6,264,617	7,092,747

LONG TERM LIABILITIES				
Long term portion of notes payable		66,387		-
Total Liabilities		6,331,004		7,092,747
Commitments and contingencies				
STOCKHOLDERS' EQUITY				
Preferred stock; 25,000,000 shares authorized				
at $0.001 par value, -0- and 570,000				
shares issued and outstanding, respectively		-		570
Common stock; 500,000,000 shares authorized				
at $0.001 par value, 94,258,713 and 60,205,843				
shares issued and outstanding, respectively		94,259		60,206
Additional paid-in capital		188,159,932		143,605,036
Stock subscription receivable		-		(1,600,000)
Accumulated deficit		(91,845,834)		(62,727,793)
Total Stockholders' Equity		96,408,357		79,338,019
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	102,739,361	$	86,430,766

The accompanying notes are an integral part of these consolidated financial statements.

BLUE EARTH, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	For the Year Ended December 31,		
	2014	2013	2012
REVENUES	$ 18,260,758	$ 10,305,736	$ 8,466,965
COST OF SALES	14,085,538	7,166,464	5,609,836
GROSS PROFIT	4,175,220	3,139,272	2,857,129
OPERATNG EXPENSES			
Depreciation and amortization	4,715,992	2,745,126	2,532,673
General and administrative	26,393,366	25,752,836	11,635,216
Total Operating Expenses	31,109,358	28,497,962	14,167,889
LOSS FROM OPERATIONS	(26,934,138)	(25,358,690)	(11,310,760)
OTHER INCOME (EXPENSE)			
Gain (loss) on derivative valuation	-	-	2,037,325
Other income	37,394	612	1
Loss from equity investment	(269,592)	-	-
Interest expense	(449,802)	(556,171)	(179,344)
Loss on settlement of license	-	-	(164,667)
Gain (loss) on settlement of debt	(9,556)	637,096	(23,133)
Gain on sale of assets	11,235	-	-
TOTAL OTHER INCOME (EXPENSE)	(680,321)	81,546	1,670,182
LOSS BEFORE INCOME TAXES	(27,614,459)	(25,277,153)	(9,640,578)
INCOME TAX EXPENSE	-	-	-
LOSS FROM CONTINUING OPERATIONS	(27,614,459)	(25,277,153)	(9,640,578)
GAIN (LOSS) FROM DISCONTINUED OPERATIONS,			
net of income taxes of $0	-	(196,241)	33,444
NET LOSS	(27,614,459)	(25,473,394)	(9,607,134)
PREFERRED DIVIDENDS	(1,503,582)	(3,188,450)	(545,020)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (29,118,041)	$ (28,661,844)	$ (10,152,154)

BASIC AND DILUTED LOSS PER SHARE			
Continuing Operations	$ (0.40)	$ (0.78)	$ (0.54)
Discontinued Operations	-	(0.01)	0.00
Net Loss Per Share	$ (0.40)	$ (0.79)	$ (0.54)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC AND DILUTED	72,470,054	36,463,197	18,961,099

The accompanying notes are an integral part of these consolidated financial statements.

BLUE EARTH, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Stock Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity
Balance, December 31, 2011	200,000	$ 200	18,703,182	$18,703	$33,771,622	$(2,632,192)	$(23,913,795)	$ 7,244,538
Common stock issued upon conversion of debt	-	-	1,220,501	1,221	1,463,092	-	-	1,464,313
Common stock issued upon conversion of preferred stock and accrued dividends	(70,750)	(71)	790,417	790	105,448	-	-	106,167
Common stock issued for acquisition of project rights	-	-	366,529	366	486,284	-	-	486,650
Common stock issued for consulting services	-	-	370,741	371	497,058			