Blue Earth, Inc.
Form 10-K/A
February 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3 to

FORM 10-K/A

(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.)*

235 Pine Street, Suite 1100
San Francisco, CA 94104
Telephone: 415-964-4411

(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.

EXPLANATORY NOTE

This Amendment No. 3 on Form 10-KA amends the Annual Report on Form 10-K for the year ended December 31, 2014 (the Original Report) of Blue Earth, Inc. (the Company), which was filed with the Securities and Exchange Commission on March 16, 2015, amended on April 22, 2015 (Amendment No. 1) with respect to Items 10-14, and amended on October 6, 2015 (Amendment No. 2) to present on a retroactive basis the effect of several type 1 subsequent events including the resolution of certain litigation and the discontinuance of a significant component of its operations and also incorporates revisions to the Notes to the consolidated financial statements and Management s Discussion and Analysis as the result of the response to review comments from the Securities and Exchange Commission staff. This amendment is being filed because the Company re-evaluated its historical and then current practices with respect to its treatment of a purchased asset as an intangible asset in accordance with accounting principles generally accepted in the United States of America. In connection with this re-evaluation and upon further review of the accounting literature, the Company has concluded that the accounting for the issuance of shares to Mr. Donald R. Kendall, Jr. in connection with the Company s acquisition of Kenmont Solutions Capital (KSC), Mr. Kendall s company, should follow the guidance in ASC Topic 718, Compensation-Stock Compensation. There are no market, performance, or service conditions that must be met in the employment contract. Further, there are no restrictions on the shares issued under the KSC acquisition. Accordingly, the fair value of the shares issued to Mr. Kendall should have been expensed in the period the shares were issued. This Amendment also incorporates revisions to Note 2, Note 7, Note 9, Note 11, Note 13, Note 16, Note 17, and Note 18 and Mananagement s Discussion and Analysis due to the restatement and as a result of the response to review comments from the Securities and Exchange Commission staff.

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 five business units: Blue Earth Solar; Blue Earth CHP; Blue Earth PPS; Blue Earth Capital and Blue Earth EPS. 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.

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 combined heat and power (CHP), solar engineering, procurement, and construction (EPC) and energy efficiency (EE)/technology business units; 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, respectively, 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, anew 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:

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. (n/k/a Blue Earth Power Performance Solutions, Inc or BE PPS) and Millennium Power Solutions, LLC (n/k/a Blue Earth Energy Power Solutions, LLC or BE EPS) 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.

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 $12,470,718, $6,938,804, and $5,009,500 for the years ended December 31, 2014, 2013, and 2012, respectively, with net losses of $(28,981,387), $(23,875,140) and $(8,083,375), respectively, from continuing operations. As of December 31, 2014, the Company had an accumulated deficit of $(94,879,069).

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. See Note 21 to the Consolidated Financial Statements.

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 Series C Preferred Stock. 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 intended 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.

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 wholly owned subsidiaries/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 subsidiaries 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 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.

During April 2015, the Company s Board of Directors determined to focus the Company s financial resources on its business units that are scalable. Accordingly the Board of Directors decided to discontinue the Blue Earth Energy Management Services, Inc. (BEEMS) subsidiary. The decision was to sell any parts of BEEMS for which a buyer could be found and to shut down those parts that were not salable. On May 22, 2015, the Company entered into an Asset Purchase Agreement (the Agreement) for the website component of BEEMS. Pursuant to the Agreement, the buyers purchased from the Company, the website, the related inventory and certain intangible assets for cash of $450,000 and $125,000 in the form of a promissory note. Accordingly, the Company s financial statements have been retroactively restated for all periods presented to reflect the assets, liabilities and operations of BEEMS as discontinued. On July 31, 2015, the Company entered into an Asset Purchase Agreement (APA) for the service component of BEEMS. Pursuant to the APA, the buyers purchased the service vehicles, service assets and contracts and related inventory for cash of $216,711 plus a two-year earn-out agreement for up to an additional $250,000. The insignificant remainder of the BEEMS operations will be liquidated or absorbed into other segments of the Company s operations.

The discontinuance of BEEMS is a Type 1 subsequent event. Accordingly, the Company s financial statements have been restated to show the discontinued operations on a retroactive basis. The Company has recorded an impairment of the remainder of the assets for a combined loss on the disposal of the discontinued operations of $595,616.

Blue Earth Business Strategy

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

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.

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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 U.S., 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.

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.

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.

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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 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®, 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. The Company s discontinued operations, BEEMS, 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 7 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 subsequent operating subsidiaries in mid-2012 and 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 $2,883,621 cash on hand, from continuing operations. 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 sa