

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)

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)

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
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]

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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 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.

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

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

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 Management 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, 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:

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:

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.

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.

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:

Power Purchase Agreements (PPAs). 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.

Synthetic Lease Agreements (SLAs). 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.

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.

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 the CHP 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.

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 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, construction and management (EPCM) 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 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 EPCM 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 at the parent level, including four (4) executive officers, 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 alternative/renewable energy solutions does not develop.

We believe, and our corporate strategy assumes, that the market for 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.

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 alternative renewable energy, and a decline in such support could harm our business.

We depend, in part, on government legislation and policies that support alternative renewable energy projects and that enhance the economic feasibility of our alternative 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 alternative 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 alternative 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 (the "NWP A") whereby the Company issued a Senior Secured Convertible Note for \$10,000,000 to Jackson Investment Group, LLC ("Jackson"). The NWP A grants the holder a warrant to purchase 2,000,000 shares of the Company's common stock and an option to purchase up to 10,000,000 shares of the Company's common stock. The Note was due in full on September 10, 2015 with accrued interest at 12% per annum. The Note was convertible at the holder's option into shares of the Company's common stock at the rate of \$1.02 per share, as amended. In case of default the conversion price became 112% of the principal and interest due. Interest on the Note may be paid in cash or shares of the Company's common stock. The warrant allows the holder to purchase 2,000,000 shares of the Company's common stock at \$1.02 per share, as amended. The option attached to the Note allows the holder to purchase 10,000,000 shares of the Company's common stock at \$1.02 per share, as amended, for 6 months after the satisfaction of the Note. The option is reduced by the amount of the Note converted to equity by the holder prior to the repayment of the Note. The Note is guaranteed by the Company's subsidiaries.

On September 10, 2015, the Company entered into a Note Purchase Agreement pursuant (the "Purchase Agreement") to which a 15% senior secured note (the "September Note") in the principal amount of \$10,600,000 was issued, due February 29, 2016 to Jackson. The September Note was issued to repay and refinance in full the 12% senior secured convertible note due September 10, 2015 and issued on March 10, 2015 (the "March Note"), including \$600,000 of accrued interest under the March Note. The September Note was issued solely as a result of unexpected construction delays outside of the parties' control at the Brooks Heat & Power CHP facility being constructed and now collateralized by the September Note. Neither the September Note, nor interest accrued thereon, is convertible into shares of the common stock of the Company. The 2,000,000 stock purchase warrants given to Jackson by the Company on March 10, 2015 remain unchanged and are exercisable until March 10, 2020.

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 pledged, as described in the following risk factor. 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. Although the Company believes the risk of loss to be remote, an adverse decision in this action 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 (94,557,119) as of September 11, 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 February 2, 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 2,564,118 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;

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

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

This Amendment No. 2 to Form 10-K/A is being filed, in part, in response to SEC Staff Comments.

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. Both of these offices will be vacated on October 31, 2015.

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 Manhattan 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 (Case No. 01-14-0000-6963 initially brought by them against National Energy Partners and its subsidiary Hawaii Solar, LLC (the "HS"). The Company subsequently initiated two actions in the First Circuit Court of the State of Hawaii, first titled Xnergy and Blue Earth, Inc. vs. Hawaii Solar, LLC, National Energy Partners, LLC et al., Civil No. M-1-1694-08 (JHC) (the "Xnergy Action") and the second titled Blue Earth Solar, Inc. vs. State of Hawaii, Department of Education, et al. (the "DOE Action"). The parties agreed to attempt to resolve their dispute through arbitration administered by Dispute Prevention and Resolution ("DPR Arbitration"). On August 30, 2015, the parties to the above Xnergy Action, DOE Action and DPR Arbitration entered into a Settlement Agreement and Release and a Lock-Up/Leak-Out Agreement conditioned upon subsequent Board of Directors approval by the Company which was obtained on September 3, 2015, copies of which have been filed as Exhibits 10.3 and 10.4,

respectively, to Form 8-K. The Settlement Agreement filed on September 4, 2014 provides for the Company to: (a) pay \$500,000 to HS (a portion of which will be paid by the Company's insurance carrier), and (b) issue shares valued at \$325,000 at \$0.88 per share to be registered with the SEC within sixty (60) days of the issuance of the shares. Pursuant to the terms and conditions of the Lock-Up/Leak-Out Agreement, all shares will be restricted for six (6) months, unless registered sooner and upon registration or expiration of the six-month period, seller may sell up to 10,000 shares per day and 50,000 shares per week on a non-cumulative basis. The parties exchanged mutual releases and will dismiss all claims upon payment to HS.

Blue Earth was 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. On August 8, 2015, the Company and the two consultants received the award from the arbitrator. The arbitrator awarded the two consultants damages of \$1,270,000; \$101,243 for breach of contract; certain declaratory relief upholding the validity of the consulting agreement; and reimbursement of the consultants' attorney's fees and costs incurred in the arbitration of \$341,375.

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 and that the risk of loss is remote.

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. In May 2015 the civil action was settled with the consultant returning 1,127,742 shares of its common stock for cancellation and agreeing to the cancellation of the 1,200,000 warrants.

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. In May 2015 Mr. Santos withdrew the demand letter with prejudice.

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
<u>Year Ending December 31, 2014</u>		
January 1, 2014 through March 31, 2014	\$ 3.60	\$ 2.48
April 1, 2014 through June 30, 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
<u>Year Ended December 31, 2013</u>		
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
<u>Year Ended December 31, 2012</u>		
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 October 5, 2015, was \$0.75 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 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 BEEMS and HVAC for 2014, 2013, 2012 and 2011 and for discontinued operations of Genesis Fluid Solutions, Ltd. for 2010. These tables have also been restated for the issuance of shares to Donald R. Kendall Jr. in connection with the Company's acquisition of Kenmont Solutions Capital (KSC), Mr. Kendall's company. The restated selected financial data follows the guidance in ASC Topic 718, Compensation-Stock Compensation.

(in thousands, except per share data)

Year Ended December 31,

2014

2013

2012

2011

2010

(restated)

Revenue

\$
12,471

\$
6,939

\$
5,010

\$
1,053

\$
-

(in thousands, except per share data)

Year Ended December 31,

2014

2013

2012

2011

2010

Operating loss

\$
(31,525)

\$
(23,987)

\$
(8,083)

\$
(12,900)

\$
(2,670)

Net loss

\$
(33,844)

	\$
	(25,473)
	\$
	(9,607)
	\$
	(14,019)
	\$
	(3,588)
Loss per share-continuing operations	\$
	(0.46)
	\$
	(0.74)
	\$
	(0.46)
	\$
	(0.88)
	\$
	(0.18)

Net Loss per share

\$

(0.48)

\$

(0.79)

\$

(0.54)

\$

(0.93)

\$

(0.24)

Cash, cash equivalents, and

short-term investments

\$

2,884

\$

8,373

\$

422

104

	\$
	358
	\$
	3,900
Total assets	
	\$
	98,948
	\$
	86,431
	\$
	14,947
	\$
	14,083
	\$
	3,952
Long-term obligations	
	\$
	0
	\$
	0
	105

	\$
	0
	\$
	0
	\$
	0
Stockholders' equity	\$
	90,179
	\$
	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 report. This section has been restated for the issuance of shares to Donald R. Kendell in connection with the Company's acquisition of Kenmont Solutions, Mr. Kendell's company. 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 BEEMS during 2015 and HVAC as of January 24, 2014 and have restated our financial statements to reflect these discontinued operations. The following discussion excludes the discontinued operations of BEEMS and HVAC.

Revenues

We recognized \$12,470,718 revenue for the twelve months ended December 31, 2014, as compared to \$6,938,804 for the twelve months ended December 31, 2013. Revenue represents 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, BE Solar's sales accounted for 72.2% (\$9,001,110) most of which is EPC work on solar projects, Other sales accounted for 27.8% (\$3,469,608) including \$904,124 from BEEPS systems sales, \$1,974,152 from sales of solar systems and \$591,332 from BE Generator services fees. During 2013, BE Solar's sales accounted for 98.5% (\$6,831,551) most of which is EPC work on solar projects and other sales accounted for 1.5% (\$107,253). The increase in BE Solar (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 BE Solar are expected to increase in 2015 due to solar projects being constructed in Hawaii and due to the signing of a solar finance partner to purchase solar projects at completion, which facilitates construction financing. 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 \$11,989,279, compared to \$5,702,074, for the twelve months ended December 31, 2013, resulting in a gross profit of \$481,439, or 3.9% of revenues. BE Solar's gross margin was \$(1,733,368) or (18.1%) in 2014 compared to \$1,122,074, or 16.9% in 2013. During 2014 BE Solar completed several projects in Hawaii that incurred substantial cost overruns resulting in a gross loss. BE Solar expects to return to historical gross margins in 2015.

Operating Expenses

Operating expenses were \$32,006,945 for the twelve months ended December 31, 2014 as compared to \$25,223,338 for the twelve months ended December 31, 2013, an increase of \$6,783,607 or 26.9%, 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 \$11,970,694 of stock based compensation expense compared to \$17,106,843 during 2013. During 2014 approximately \$5,728,652 (17.9%) were from BE Solar with the balance of \$26,278,293 (82.1%) from our corporate administrative expenses and other subsidiaries. During 2013 \$3,052,414 (12.1%) of the operating expenses were from BE Solar with the balance of \$22,170,924 (87.9%) from our administrative expenses and other subsidiaries. Our administrative expenses for 2014 include \$2,662,016 from the amortization of intangible assets acquired with BE Solar, BEPPS and BEEPS compared to \$2,125,968 for 2013.

Net Loss

The net loss from continuing operations for the twelve months ended December 31, 2014 was \$32,177,568, a \$8,302,428 or 34.8% increase from the \$23,875,140 for the twelve months ended December 31, 2013. This translates to a loss per share of \$0.46 from continuing operations in 2014 compared to \$0.74 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. (BEEPS) effective July 24, 2013 and Millennium Power Solutions (BEPPS) effective August 23, 2013. We disposed of BEEMS during 2015 and HVAC as of January 24, 2014 and have restated our financial statements to reflect these discontinued operations. The following discussion excludes the discontinued operations of BEEMS and HVAC.

Revenues

We recognized \$6,938,804 revenue for the twelve months ended December 31, 2013, as compared to \$5,009,500 for the twelve months ended December 31, 2012. Revenue represents sales from our wholly-owned subsidiary BE Solar (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, BE Solar's sales accounted for 98.5% (\$6,831,551) most of which is EPC work on solar projects and other sales accounted for 1.5% (\$107,253). During 2012, BE Solar's sales accounted for 100.0% (\$5,009,500). 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 2014 due to solar projects being constructed in Hawaii and due to the signing of a solar finance partner to purchase solar projects at completion, which facilitates construction financing.

Cost of Sales and Gross Profit

Cost of sales for the twelve months ended December 31, 2013 were \$5,702,074, compared to \$3,800,141, for the twelve months ended December 31, 2012, resulting in a gross profit of \$1,236,730, or 17.8% of revenues in 2013 compared to \$1,209,359 or 24.1% in 2012.

Operating Expenses

Operating expenses were \$25,223,338 for the twelve months ended December 31, 2013 as compared to \$11,009,583 for the twelve months ended December 31, 2012, an increase of \$14,213,755 or 129.1%, 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 \$3,052,233 of our operating expenses for the twelve months ended December 31, 2013 were from BE Solar with the balance of \$22,171,105 from our corporate administrative expenses. \$2,832,357 of the operating expenses for the twelve months ended December 31, 2012 were from the operations of BE Solar with the balance of \$8,177,226 our administrative expenses. Our administrative expenses for 2013 include \$2,125,968 from the amortization of intangible assets acquired with BE Solar, BEEPS and BEPPS compared to \$1,827,445 for 2012.

Net Loss

The net loss from continuing operations for the twelve months ended December 31, 2013 was \$23,875,140, a \$15,791,765, or 195.4% increase from the \$8,083,375 for the twelve months ended December 31, 2012. This translates to a loss per share of \$0.74 from continuing operations in 2013 compared to \$0.46 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 \$14,305,018 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 \$33,843,875, we recognized an increase in accounts receivable and billings in excess of \$1,464,509 and an increase in restricted cash totaling \$632,102. These increases were partially offset by stock based compensation expense of \$11,970,694 and \$2,781,460 of depreciation and amortization expense and an increase in accounts payable and accrued expenses of \$3,757,059.

Net cash used in continuing operations during the twelve months ended December 31, 2013 (Fiscal 2013) totaled \$12,220,748 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 \$2,691,696 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 \$2,227,153 of depreciation and amortization.

Net cash used in continuing operations during the twelve months ended December 31, 2012 totaled \$6,563,944 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 \$2,685,252. These decreases were partially offset by common stock, options and warrants issued for services expensed at \$4,805,023 and \$2,020,692 of depreciation and amortization expense.

Net cash used in investing activities during Fiscal 2014 totaled \$14,659,096. Of this amount, \$12,661,902 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 \$22,927,873 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 \$1,957,682 and related party loans of \$4,004.

Net cash provided by continuing financing activities during Fiscal 2013 totaled \$22,170,526 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

\$2,002,717 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 \$5,756,322 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 \$740,410 and payments on related party loans of \$6,614.

At December 31, 2014, we had working capital of \$2,593,660 including \$2,883,621 in cash. At December 31, 2013, we had working capital of \$13,515,744, including \$8,373,380 in cash. The decrease in working capital was primarily the result of the expenditures on the CHP projects.

The cash cost of the anticipated initial seven CHP projects is estimated at \$5,000,000 to \$25,000,000 per project with a total estimated cash costs of \$120,000,000. The total cost of the projects is estimated at \$164 million, which includes \$44 million of non-cash costs. The non-cash costs are for the acquisitions of the projects, which were paid in stock. Of the total estimated \$120,000,000 of cash costs, approximately \$13,200,000 has been paid through December 31, 2014. Project financing is expected to come from equity (generally 8-30%), senior debt (generally 60-70%) and mezzanine debt (generally 0-30%). The equity component is expected to come from cash on hand, the exercise of warrants and proceeds raised through the Company's universal shelf registration statement on Form S-3. The senior debt and mezzanine debt are expected to be sourced from banks and other institutional investors. The Sumter project has been announced and is expected to begin generating electricity and hot water for sale in March, 2015. The Brooks Alberta Canada project has also been announced and is under construction with greater than 35% of expected expenses incurred as of December 31, 2014. We expect to have this plant in commercial operation in the mid of 2016.

The remaining four co-generation projects are still in the pre-construction phase permitting, interconnect activities, site analysis, design engineering and procurement of equipment and therefore, while included in the initial seven projects, have not yet reached the point where there is sufficient information to execute power purchase agreements with the hosts. However, the hosts continue to honor the executed term sheets and remain highly interested in completing the original seven and other similar projects with the Company.

The term sheets with the hosts set general parameters for developing and constructing combined heat and power plants on land to be leased from the hosts. Under the term sheets, the Company would own the plant and sell the electric power and thermal energy generated from the plant to the host under energy purchase agreements which will be entered into once the pre-construction activities are completed. Pre-construction activities are progressing on these and other projects and the Company expects these activities to be completed in time to reach commercial operation dates for the projects in 2016 and 2017, with three anticipated to generate revenue in 2016 and two in 2017. The commercial operation dates have been postponed from those originally planned primarily because of delays in obtaining financing and in completing interconnect and power purchase agreements with the serving power utilities at the various sites. We are actively working on arrangements with the serving utilities and expect to be successful in reaching appropriate resolution. The Company continues to have regular conversations with the hosts regarding the initial seven projects and the hosts have continued to affirm their interest in building the projects under the terms of the previously executed term sheets. Recent discussions with the hosts have centered on further expanding the pool of projects to include smaller plants in addition to the initial seven.

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.

The Company has identified its future cash needs by its negative cash flows from Operation, business plan implementation, project purchase contractual obligations and expected funds needed to complete its projects under construction as of December 31, 2014 as follows:

	Total	Payments due by period			
		Less than 1 year	2-3 Years	3-4 years	More than 5 years
Negative Cash Flows from Operations	\$10,267,332	\$8,179,088	\$2,088,244	\$1,000,000	\$0
Implementation of Business Plans	4,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Project Purchase Obligations - Short Term	10,235,981	10,235,981	0	0	0
Expected Project Completion Funds Needed	8,640,669	8,640,669	0	0	0
Total Cash Needs	\$33,143,988	\$28,055,738	\$3,088,244	\$1,000,000	\$1,000,000

Historically, we have financed our working capital and capital expenditure requirements primarily from the sales of our equity securities. We will need to seek additional equity and/or debt financing in order to implement our business plan and complete our projects. 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, and is expected to involve restrictive covenants. During 2014, we completed the private placement of Preferred Stock and warrants of \$24,264,646. However, we believe we need an additional \$28,000,000 to fund our operations at least through December 31, 2015.

During March 2015 we received \$13,000,000 in debt financing which in addition to the cash in the bank of \$3,500,000 and accounts receivable of \$4,000,000 leaves us with a deficiency of \$7,500,000 for 2015. We expect to cover this short fall through the sale of shares of the Company's projected common stock under its S-3 offering. We expect to incur additional project purchase obligations during 2015 and beyond with regards to the CHP projects which amounts are not included in the table above. We intend to commence construction of the projects when we have determined the financing sources.

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 a line of credit which will be paid monthly with interest at 12% per annum. Additional draws are subject to approval by the lender 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 \$1.02 per share, as amended, and solely to the extent not converted prior to maturity, Jackson has an option to purchase up to 10,000,000 shares at \$1.02 per share, as amended, for six (6) months commencing upon repayment of the Note. Jackson also received 200,000 shares of the Company's common stock as a commitment 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.

New Accounting Pronouncements

See Note 2 to our audited condensed consolidated financial statements for a discussion of recently issued accounting pronouncements.

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

Construction Revenues: Revenue from certain long-term, integrated project management contracts to provide solar and CHP construction and completion services is reported on the percentage-of-completion method of accounting. Progress is generally based upon physical progress related to contractually defined units of work. At the outset of each contract, we prepare a detailed analysis of our estimated cost to complete the project. Risks related to service delivery,

usage, productivity, and other factors are considered in the estimation process. The recording of profits and losses on long-term contracts requires an estimate of the total profit or loss over the life of each contract. This estimate requires consideration of total contract value, change orders, and claims, less costs incurred and estimated costs to complete. Anticipated losses on contracts are recorded in full in the period in which they become evident. Profits are recorded based upon the total estimated contract profit times the current percentage completed for the contract.

Service Contracts: Revenue from service contracts is recognized once the Company has established that (i) there is evidence of an arrangement, (ii) delivery has occurred and the performance obligation is substantially complete, and (iii) the fee is fixed or determinable and (iv) collection is probable.

Product Sales: Product sales revenues are recognized revenues when: (i) persuasive evidence of a sales arrangement exists, (ii) the sales terms are fixed and determinable, (iii) title and risk of loss have transferred, and (iv) collectability is reasonably assured . Generally customers are invoiced upon delivery, installation and acceptance of the product by the customer.

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(Including the discontinued operations of BEEMS)

	Total	Payments due by period			
		Less than 1 year	2-3 Years	3-4 years	More than 5 years
Contractual Obligations					
Long-Term Debt Obligations	\$ 118,179	\$ 51,792	\$ 58,856	\$ 7,531	\$ 0
Capital Lease Obligations	0	0	0	0	0
Operating Lease Obligations	6,371,400	664,959	1,251,552	1,209,264	3,245,625
Project Purchase Obligations - Long Term	0	0	0	0	0
Project Purchase Obligations - Short Term	10,235,981	10,235,981	0	0	0
Other Long-Term Liabilities	0	0	0	0	0
Reflected on the Registrant's	0	0	0	0	0
Balance Sheet under GAAP	0	0	0	0	0
Total	16,725,560	10,952,732	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
<u>Fiscal Year 2014 (restated)</u>					
Revenue	\$ 1,879	\$ 1,889	\$ 1,184	\$ 7,519	\$ 12,471
Gross Profit	628	320	(314)	(153)	481
Net Loss	(10,031)	(47,329)	(7,457)	(12,015)	(33,844)
Loss per share continuing operations	(0.17)	(0.06)	(0.11)	(0.12)	(0.46)
Loss per share	(0.17)	(0.07)	(0.11)	(0.14)	(0.49)
<u>Fiscal Year 2013</u>					
Revenue	\$ 1,482	\$ 1,678	\$ 1,471	\$ 2,308	\$ 6,939
Gross profit	325	315	754	(157)	1,237
Net loss	(1,877)	(5,341)	(5,068)	(13,187)	(25,473)
Loss per share continuing operations	(0.09)	(0.20)	(0.09)	(0.36)	(0.74)
Loss per share	(0.10)	(0.22)	(0.10)	(0.37)	(0.79)

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 not 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 1992.

The Company has determined that there is a material weakness relating to financial reporting and disclosure controls and the Company's auditors are revising their assessment of internal controls to disclose a material weakness over financial disclosure controls.

Changes in Internal Control over Financial Reporting

During the Company's last fiscal quarter management conducted a review of its internal controls. During the review, suggestions for additional controls on payroll processing and subsidiary controls were identified and subsequently implemented.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth certain information with respect to the Executive Officers and Board of Directors of the Company and is based on the records of the Company and information furnished to it by such persons.

Name of Nominee	Age	Position
Laird Q. Cagan	57	Chairman of the Board of Directors
Dr. Johnny R. Thomas	73	Chief Executive Officer and Director
Robert Potts	53	President and Chief Operating Officer and Director
Brett Woodard	63	Chief Financial Officer
Donald R. Kendall, Jr.	62	Chief Executive Officer of Blue Earth Capital, Inc.
William (Bill) Richardson	67	Director
James A. Kelly	57	Director
Michael W. Allman	54	Director
Alan P. Krusi	60	Director

Mr. Allman serves on each of the following committees of the Board of Directors:

- o chairman of the Audit Committee

- o member of the Compensation Committee;

- o member of the Nominating & Corporate Governance Committee;

Mr. Kelly serves on each of the following committees of the Board of Directors:

o

chairman of the Compensation Committee;

o

chairman of the Nominating & Corporate Governance Committee;

o

member of the Audit Committee

.

Mr. Krusi serves on each of the following committees of the Board of Directors:

o

chairman of the Nominating and Corporate Governance Committee

o

member of the Audit Committee;

o

member of the Compensation Committee;

.

Governor Richardson may serve on committees of the Board as his time permits.

Biographical Information

Directors

We believe that our Board of Directors should be composed of individuals with sophistication and experience in many substantive areas that impact the Company's businesses. We believe that all of the current Board Members possess the professional and personal qualifications necessary for board service, and have highlighted particularly noteworthy attributes for each Board member in the individual biographies below.

Laird Q. Cagan, *Chairman of the Board and Director*. Mr. Cagan has served as Chairman of the Board and a director of the Company since February 21, 2011. He is an investor in the Company who has served as a director and officer of several publicly traded companies. He has 25 years of experience in investing in and building high growth technology companies as well as five years in the investment banking industry. During the 1990 s he invested in and helped build 15 high tech companies with over \$500 million of equity capital invested in those companies. He is a co-founder and Managing Director of Cagan McAfee Capital Partners, LLC (CMCP) a private investment firm he founded in 2002. CMCP has founded, funded and taken public 10 companies in a variety of industries including energy, alternative energy, healthcare, information technologies, and environmental. CMCP portfolio companies have raised over \$600 million of equity capital and over \$2 billion of capital has been invested in those companies or their projects. Mr. Cagan previously worked for two of the largest investment banks in the world, Goldman, Sachs & Co. and Drexel Burnham Lambert. In all, he was involved in over 30 transactions valued at more than \$15 billion, bankruptcy work-out transactions of more than \$2 billion, and a variety of equity, high-yield bond and senior debt financings. Mr. Cagan was the founding Chairman of Evolution Petroleum Corporation (NYSE: EPM), a company he founded to develop mature oil & gas fields with advanced technologies. He is a director and founder of Calpian, Inc. (CLPI), and a former director of AE BioFuels, Inc. (n/k/a Aemetis (AMTX)), and Pacific Asia Petroleum (n/k/a Camac Energy, Inc. (NYSE: CAK)). He held Series 24, 7 and 63 licenses, however, he is not currently registered with any FINRA firm. He was a registered representative and Managing Director of Colorado Financial Services Corporation (CFSC), a FINRA-licensed broker-dealer from 2008 to 2012 and other firms dating back to 2003. He served an administrative suspension from December 15-29, 2008 for violation of a FINRA rule, failure to provide copies of personal brokerage statements from his prior broker-dealer to his new broker-dealer. Mr. Cagan attended M.I.T. and received BS, MS and MBA degrees from Stanford University. He is a graduate of the UCLA Director s Training Program. He is the founding Chairman of the SF Bay chapter of the Young Presidents Organization and is currently Chairman of the San Francisco Chapter of the World Presidents Organization. He is a former member of the Stanford University Athletic Board and is a member of the Olympic Club, the oldest athletic club in America. As a result of Mr. Cagan s extensive experience in finance and start-up companies, as well as experience in the energy industry, all of which strengthens the Board s collective qualifications, skills and experience.

Johnny R. Thomas, *Chief Executive Officer and Director*. Dr. Thomas has been a director of the Company since February 22, 2011. He has been employed by the Company as Chief Executive Officer since September 1, 2010, and also served as President from September 1, 2010 until May 16, 2013. Prior thereto, he served as Chairman of the Board, Chief Executive Officer and President of Consolidation Services, Inc. (OTCBB:CNSV) from that company s inception on January 26, 2007 until April 2, 2010. The company was engaged in the acquisition of land and mineral rights in Eastern Kentucky and is now engaged in oil and gas production. From January 2000 until September 2010, Dr. Thomas was self-employed as an investor in securities, real estate and limited custom home development. Prior thereto, he was a founder and served as Chairman of the Board and CEO of AgriBioTech, Inc. from September 1993 until February 1999. AgriBioTech and several of its subsidiaries filed a voluntary petition for bankruptcy in January 2000 (and was subsequently liquidated in Chapter 7), approximately eleven months following Dr. Thomas s departure from the company. Dr. Thomas received his Ph.D. in genetics/plant breeding from Oregon State University in 1966. For more than 30 years, Dr. Thomas has successfully guided start-up companies from their formation through commercialization. His experience in finance and the public securities markets has provided the Board with the necessary guidance to acquire, integrate and manage acquired companies and act as a liaison with the Company s independent advisors, all of which strengthens the Board s collective qualifications, skills and experience.

Robert C. Potts, President and Chief Operating Officer. Robert Potts was appointed President and Chief Operating Officer of the Company on May 16, 2013 and a director on January 1, 2014. Since February, 2010, Mr. Potts has been a founder, director, CEO and President of IPS Engineering Inc. (IPS). IPS is a Provo Utah based engineering, procurement and construction management (EPCM) company specializing in combined heat and power (CHP) alternative energy space, which was acquired by the Company in May 2013. From February, 2008 until December 2009, Mr. Potts was President and an owner of Heavy Equipment Parts, Orem, UT, a ground engaging parts and fabrication services company. From 2001, until he formed IPS, he was the President and CEO of several portfolio companies for a private equity firm. These include: Prinexus, Finlay Systems, Color By Pergament, Direct Group, Direct Fulfillment, Mack Color Graphics, Halo Design Systems, and Tukan. He has broad experience with successful start-up and turnaround ventures and has particular knowledge and experience in the energy industry and finance, which strengthens the Board's collective qualifications, skills and experience. Mr. Potts earned his B.S. Mechanical Engineering, at Brigham Young University and an M.B.A. - Finance at Lehigh University.

Brett Woodard, Chief Financial Officer. Mr. Woodard was appointed Chief Financial Officer of the Company on May 16, 2013. He served as a founder, director and CFO of IPS Engineering, Inc. from 2012 until its acquisition by the Company in May 2013. Prior thereto, from 2007, Mr. Woodard served as the CFO of Wasatch Wind, Inc., an enterprise that developed wind energy projects in the Western US and Eastern Canada. With over 25 years' experience in structuring turnkey project finance transactions throughout the Americas, Europe and Asia in roles with Nokia (large telecommunications infrastructure), GE Capital and Nortel Networks, he has worked extensively with international financing organizations including several Export Credit Agencies. Mr. Woodard holds an MBA, Finance from the University of Utah and Post Graduate Studies (PhD. Program), Finance, Wharton School, PA.

Donald R. Kendall, Jr., Chief Executive Officer of Blue Earth Capital, Inc. Mr. Kendall was elected Chief Executive Officer and a director of Blue Earth Capital as of January 31, 2014. He had been the Chief Executive Officer of Kenmont Capital Partners and Kenmont Solutions Capital GP LLC (KSC), an investment management firm specializing in alternative investments and private equity from 1998 and its affiliated finance company, respectively, until KSC's acquisition by the Company in January 2014. Mr. Kendall also utilized his extensive background in the power, energy and clean energy industries overseeing event driven, distressed, capital structure arbitrage and private equity investments in these sectors for Carlson Capital, L.P, while overseeing Kenmont's private equity and venture capital fund of funds. From 1993 to 1998, Mr. Kendall was President of Cogen Technologies Capital Company, L.P. His responsibilities included acquisitions, domestic and international project development, project and corporate financings, asset management, strategic planning and the initiation of Cogen's planned reorganization, initial public offering and ultimate sale for \$1.1 billion. In addition to his duties at Cogen, Mr. Kendall was the founding Chairman and Chief Executive Officer of Palmetto Partners, Ltd., a family office and investment management company for a Forbes 400 family. Mr. Kendall's duties included identifying, analyzing, structuring, investing, monitoring and exiting investments in private equities on a direct basis and through private equity funds. In addition, Mr. Kendall managed various public equity hedge fund and fixed income portfolios for affiliated entities and three charitable foundations. He also serves as a director of American Midstream Partners, LP (NYSE: AMID), Solar City Corporation (NASDAQ: SCTY), Stream Energy and Tangent Energy Solutions, Inc. Mr. Kendall also serves on the following Non Profit Boards: Earthwatch Institute, the Houston Zoo Conservation Committee, the Jane Goodall Institute and the Prospect Park Alliance. Mr. Kendall received a B.A. degree from Hamilton College and an M.B.A. from The Amos Tuck School of Business Administration at Dartmouth College.

Governor Bill Richardson, Director. Governor Richardson was elected to the Company's Board of Directors effective January 1, 2014. Governor Richardson brings to the Board his knowledge of the energy industry and regulatory affairs, as well as his experience serving on numerous boards of directors, which greatly strengthens the Board's collective qualifications, skills and experience. Governor Richardson is a leading proponent of energy, efficiency, technology as evidenced by the green initiatives he passed as Governor of New Mexico. As a former Secretary of Energy, he has extensive knowledge on all aspects of our business model, including distributed generation, energy efficiency and technologies. Furthermore, he is an ideal person to advise the Company on political issues at the state and federal level. Political initiatives are continually on the agenda of most states and the federal government that can affect the Company's business. Governor Richardson currently serves as Senior Fellow for Latin America at Rice University's James A. Baker III Institute for Public Policy, and participates on several non-profit and for-profit boards including Abengoa's International Advisory Board, the fifth largest biofuels producer in the United States, WRI World Resources Institute, and the National Council for Science and the Environment. Governor Richardson is also currently serving as Chairman of Global Political Strategies for APCO Worldwide. From January 2003 through January 2011, he was the Governor of New Mexico. Prior to his governorship, Governor Richardson was the U.S. Secretary of Energy (1998-2001), U.S. Ambassador to the United Nations (1997-1998) and a member of the U.S. House of Representatives for New Mexico (1983-1997). Governor Richardson has a BA from Tufts University and an MA from Tufts University Fletcher School of Law and Diplomacy. In addition to his service as member of the Board of Abengoa Solar and Tecnicas Reunidas. He is currently serving on the following Boards: Afina; American Progress/Enough Fellow; AMP Holding; Aside/EAG; CarCharging; Dallas National Insurance; DayStar Technologies; Ergo; EX-IM Bank; Foundation to Preserve New Mexico Wildlife; National Council for Science and Environment (NCSE); P3GM; PT Capital; Refugees International; Richardson Center for Global Engagement; Ryan Governmental Services; Viridis Learning; V-Me; Vola LLC, and World Resources Institute (WRI).

James A. Kelly, Director, was elected to the Company's Board of Directors effective January 1, 2014. James Kelly has over thirty-eight years of experience in the energy industry. Mr. Kelly possesses particular knowledge and experience in accounting, management and the energy industry to strengthen the Board's collective qualifications, skills and experience. The grid experience of Mr. Kelly with a major utility is relevant to all of our combined heat and power and solar business units, as distributed generation projects all involve direct interaction with utilities. Mr. Kelly also has extensive knowledge and experience in all of the technology activities of the Company, since utilities generally see new, emerging technologies at an early stage as new technologies are submitted for potential inclusion in rebate programs. Mr. Kelly has served on the Management Committee of a Fortune 500 Company. Mr. Kelly has had exclusive responsibility for multiple external audits and management reviews of energy company operations.

Mr. Kelly was Senior Vice President for Southern California Edison Co. from November 1973 through July 2011, which is the electric utility company for Southern California. Mr. Kelly obtained his Bachelor of Science from California State University, Long Beach in 1977 and a Master of Science from California State Polytechnic University in 1978. Mr. Kelly also serves as a director of Muni-Fed Streetlight Solution, Coachella Partners, the Don Bosco Technical Institute and as CEO and Director of ARES.

Michael W. Allman, Director, was elected to the Company's Board of Directors effective January 1, 2014. Mr. Allman has experience as a CEO and CFO of various renewable energy companies and with a global consulting firm, with exceptional breadth of experience in business strategy design and implementation, operations, finance, risk management, investor communications, business development, mergers and acquisitions and internal business. The grid experience of Mr. Allman with a major utility is relevant to all of our combined heat and power and solar business units, as distributed generation projects all involve direct interaction with utilities. Mr. Allman also has extensive knowledge and experience in all of the technology activities of the Company, since utilities generally see

new, emerging technologies at an early stage as new technologies are submitted for potential inclusion in rebate programs.

As a result of this experience, Mr. Allman possesses particular knowledge and experience in each of the above areas to serve as the Company's Audit Expert and strengthens the Board's collective qualifications, skills and experience.

Mr. Allman previously served as President and CEO of Sempra Generation between October 2006 and March 2010. Sempra Generation was an electrical division of Sempra Energy, a Fortune 300 energy services company. From March 2010 through June 2012, Mr. Allman served as Chairman, President and CEO of Southern California Gas Company, a gas distribution company in the United States. Mr. Allman received his bachelor of science in Chemical Engineering from Michigan State University in 1982 and obtained his MBA from the University of Chicago in 1985, with a specialization in finance.

Alan P. Krusi, Director, was appointed as a Director of the Company on August 25, 2014. From October 2011 until March 2015, Mr. Krusi was President, Strategic Development of AECOM Technology Corporation, a global provider of professional technical and management support services, and served as Executive Vice President for Corporate Development from August 2008 until October 2011. From 2003 until 2008 Mr. Krusi served as President of Earth Tech, Inc., an engineering, consulting, and construction services firm owned by Tyco International. Since March 2008, Mr. Krusi has been a director of Comfort Systems USA (NYSE:FIX) a leading provider of commercial and industrial heating, ventilation and air conditioning (HVAC) and building automation services, with more than 85 locations nationwide. From 2002 to 2003, Mr. Krusi served as CEO of RealEnergy, Inc., a company providing on-site cogeneration to commercial and industrial customers. From 1999 to 2002, Mr. Krusi served as President of the Construction Services division of URS Corporation, where he oversaw an international construction services business specializing in construction management and program management. Prior to his employment with URS, and over a period of twenty-two years, Mr. Krusi held a number of technical and management positions within the engineering and construction industries. Mr. Krusi is a graduate of the University of California at Santa Barbara and is a Registered Geologist, Certified Engineering Geologist, and Licensed General Contractor in the State of California. Mr. Krusi has more than thirty-five years of experience in the construction and engineering industries, including experience in executive management positions for public companies.

Director or Officer Involvement in Certain Legal Proceedings

Our directors and executive officers were not involved in any legal proceedings as described in Item 401(f) of Regulation S-K in the past ten years.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, named executive officers and persons holding more than 10% of a registered class of the equity securities of the Company to file with the SEC and to provide us with initial reports of ownership, reports of changes in ownership and annual reports of ownership of Common Stock and other equity securities of the Company. Based solely on a review of the reports furnished to us, or written representations from reporting persons that all reportable transaction were reported, we believe that during the fiscal year ended 2014, our officers, directors and greater than ten percent owners timely filed all reports they were required to file under Section 16(a).

Code of Ethics

We have adopted a written code of ethics that applies to our directors, officers and employees, including principals executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our Code of Ethics was attached as Exhibit E to the Company's Definitive Proxy Statement for the annual meeting of Stockholders for the fiscal year ended December 31, 2013 and is also available without charge upon written request directed to Blue Earth, Inc., Attention: Secretary, 2298 Horizon Ridge Parkway, Suite 205 Henderson, Nevada 89052.

CORPORATE GOVERNANCE DIRECTOR AND COMMITTEE INFORMATION

There has been no material change to the Company's procedures by which security holder may recommend nominees to the Board of Directors.

Composition of the Board of Directors. Since the adoption of the Sarbanes-Oxley Act in July 2002, there has been a growing public and regulatory focus on the independence of directors. Additional requirements relating to independence are imposed by the Sarbanes-Oxley Act with respect to members of the Audit Committee. The Board has established procedures consistent with the Sarbanes-Oxley Act of 2002, the Securities and Exchange Commission, and The NASDAQ Stock Market prior to the Company being listed on a national securities exchange.

Board Committees

The Board has three standing committees: the Compensation Committee, the Audit Committee and the Nominating and Corporate Governance committee. The Board has appointed only independent directors to such committees. The members of each committee are appointed by the Board and serve only one-year terms. Committees regularly reported on their activities and actions to the full Board of Directors. Each committee has a written charter adopted by the Board of Directors under which it operates.

Committees of the Board of Directors

In June 2013, the Board of Directors adopted charters relative to its audit committee, compensation committee and nominating committee. However, until January 1, 2014, the entire Board determined all matters and no Committees had been formed.

Audit Committee Charter. The Audit Committee performs its duties under a written charter approved by the Board of Directors. The Audit Committee charter was filed as Appendix C to the Company's definitive proxy statement for the Annual Stockholders Meeting for the fiscal year ended December 31, 2013.

Independence of Audit Committee Members. All members of the Audit Committee of the Board of Directors have been determined to be independent directors pursuant to the definition contained in Rule 5605(a)(2) of the NASDAQ Listing Rules and under the Rule 10A-3 under the Securities Exchange Act of 1934, as amended.

Compensation Committee Charter. The Board of Directors has adopted a Compensation Committee charter to govern its Compensation Committee. The Compensation Committee charter was filed as Appendix D to the Company's definitive proxy statement for the Annual Stockholders Meeting for the fiscal year ended December 31, 2013.

Governance Committee Charter. In June 2013, the Board adopted the Nominating and Corporate Governance Committee Charter, a copy of which was filed as Appendix E to the Company's definitive proxy statement for the Annual Stockholders Meeting for the fiscal year ended December 31, 2013.

Audit Committee

The audit committee's duties are to recommend to our board of directors the engagement of independent auditors to audit our financial statements and to review our accounting and auditing principles. The audit committee reviews the scope, timing and fees for the annual audit and the results of audit examinations performed by independent public accountants, including their recommendations to improve the system of accounting and internal controls.

The audit committee oversees the independent auditors, including their independence and objectivity. However, the committee members are not acting as professional accountants or auditors, and their functions are not intended to duplicate or substitute for the activities of management and the independent auditors. The audit committee is empowered to retain independent legal counsel and other advisors as it deems necessary or appropriate to assist the audit committee in fulfilling its responsibilities, and to approve the fees and other retention terms of the advisors. Our audit committee members possess an understanding of financial statements and generally accepted accounting principles. Michael W. Allman serves as Chairman of the Audit Committee, which also consists of James A. Kelly and Alan Krusi.

Audit Committee Financial Expert. The Board of Directors has determined that Michael W. Allman is an audit committee financial expert as such term is defined by the SEC. As noted above, Mr. Allman, as well as the other members of the Audit Committee, have been determined to be independent within the meaning of SEC and exchange regulations.

Independent Directors

The Company's Board of Directors has elected Michael W. Allman, James A. Kelly, Governor Bill Richardson and Alan Krusi to its Board of Directors. Each serves as an independent director as that term is defined by listing standards of the national securities exchanges and SEC rules, including the rules relating to the independence standards of an audit committee and the non-employee director definition of Rule 16b-3 of the Exchange Act, for a two-year term which commenced on January 1, 2014 and August 25, 2014 in the case of Mr. Krusi. Each of these four persons will serve as an independent director and where noted on the respective committees listed below. We also believe Laird Cagan is an independent director, as that term is defined above.

We believe that our Board of Directors should be composed of individuals with sophistication and experience in many substantive areas that impact our business. We believe that experience, qualifications, or skills in the following areas are most important: experience in the energy industry; regulatory; accounting and finance; capital markets; strategic planning; business development practices; and board practices of other corporations. These areas are in addition to the personal qualifications described above for each director. We believe that all of our current Board members possess the professional and personal qualifications necessary for Board service, and have highlighted particularly noteworthy attributes for each Board member in the individual biographies above.

Our combined heat and power and solar projects, generate electricity at the customer's site, as such, they interface with the traditional electric grid. Mr. Allman and Mr. Kelly have managed large electric grids for many years; therefore their grid experiences are directly applicable to our core business. In addition, public utilities, such as those they managed for many years oversee multi-billion dollar rebate programs for energy efficiency. These experiences are directly relevant to our energy efficiency business. As part of the administration of the large rebate programs, the public utilities that they managed are early reviewers and evaluators of new technology. Mr. Krusi has extensive experience within the engineering, consulting and construction industries in the area of combined heat and power

programs. Therefore, we believe each director provides exceptional inputs to the Company when evaluating technology acquisitions and for marketing of our existing technology. Federal and State governments have many policies and programs that directly influence our business model in all areas, alternative energy, energy efficiency and technology. Governor Richardson provides valuable insight and access to the political process and political decision making leaders.

Compensation Committee

The compensation committee has certain duties and powers as described in its charter, including but not limited to periodically reviewing and approving our salary and benefits policies, compensation of our executive officers, administering our stock option plans, and recommending and approving grants of stock options under those plans. James A. Kelly serves as Chairman of the Compensation Committee, which also consists of Michael W. Allman and Alan Krusi.

Nominating Committee

The nominating and corporate governance committee considers and makes recommendations on matters related to the practices, policies and procedures of the board of directors and takes a leadership role in shaping our corporate governance. As part of its duties, the nominating and corporate governance committee assesses the size, structure and composition of the board of directors and its committees, coordinates evaluation of board performance and reviews board compensation. The nominating and corporate governance committee also acts as a screening and nominating committee for candidates considered for election to the board of directors. James A. Kelly serves as Chairman of the Nominating and Corporate Governance Committees, which also consists of Michael W. Allman and Alan Krusi.

Compensation Committee Interlocks and Insider Participation

None of our directors or executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our board of directors.

Directors and Officers Liability Insurance

We have directors and officers liability insurance insuring our directors and officers against liability for acts or omissions in their capacities as directors or officers, subject to certain exclusions. Such insurance also insures us against losses which we may incur in indemnifying our officers and directors. In addition, we have entered into indemnification agreements with key officers and directors and such persons shall also have indemnification rights under applicable laws, and our certificate of incorporation and bylaws.

Board Leadership Structure and Role in Risk Oversight

Although we have not adopted a formal policy on whether the Chairman and Chief Executive Officer positions should be separate or combined, we have determined that it is in the best interests of the Company and its shareholders to keep these roles separate.

Our Audit Committee is primarily responsible for overseeing our risk management processes on behalf of our board of directors. The Audit Committee receives and reviews periodic reports from management, auditors, legal counsel, and others, as considered appropriate regarding our company's assessment of risks. In addition, the Audit Committee reports regularly to the full Board of Directors, which also considers our risk profile. The Audit Committee and the full Board of Directors focus on the most significant risks facing our company and our company's general risk management strategy, and also ensure that risks undertaken by our Company are consistent with the Board's appetite for risk. While the Board oversees our company's risk management, management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our company and that our Board leadership structure supports this approach.

Item 11. Executive Compensation.

EXECUTIVE COMPENSATION

The table below sets forth, for the last three fiscal years, the compensation earned by (i) each individual who served as our principal executive officer or principal financial officer, and (ii) our most highly compensated executive officers, other than those listed in clause (i) above, who was serving as executive officers at the end of the last fiscal year (together, the Named Executive Officers). No other executive officer had annual compensation in excess of \$100,000 during the last fiscal year.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option/ Warrant	Awards (\$)(7)
				All Other Compensation (\$)	
		Total (\$)			

Dr. Johnny R. Thomas,
Chief Executive Officer

\$174,000(1)

-

\$2,024,721(7)

-

\$2,198,721

2013

\$174,000(1)

-

\$4,184,437(2)

-

\$4,358,437

2012

\$174,000(3)

-

\$2,417,022

-

\$1,517,336

John C. Francis,

V.P. Corporate Development

2012
\$150,000
-
-
-
\$150,000

Robert Potts,

President and Chief Operating Officer

2014
\$217,628
\$25,000(5)
-
-
\$242,628

2013
\$77,405(4)

-
\$2,360,345
-
\$2,437,750

Brett Woodard

Chief Financial Officer

2014
\$ 218,958
\$25,000(5)
-
-
\$243,958

2013
\$76,202(4)
-
\$2,360,345
-
\$2,436,547

Donald R. Kendall, Jr.

CEO of Blue Earth Capital, Inc.

	2014
	\$110,000(6)
	-
	\$1,694,634
	-
	\$1,804,634

(1)

Consists of \$ 150,000 cash paid to Dr. Thomas and \$2,000 per month, or an aggregate of \$24,000, withheld in the payment of the exercise price of 24,000 warrants.

(2)

Includes 1,000,000 warrants authorized by the Board in December 2013, with an effective date of January 1, 2014.

(3)

On September 1, 2010, Johnny R. Thomas was elected Chief Executive Officer of the Company. Consists of \$25,000 cash paid to Dr. Thomas and \$2,000 per month, or an aggregate of \$8,000, withheld in payment of the exercise price of 8,000 warrants.

(4)

Messrs. Potts and Woodard each commenced employment on May 16, 2013 under employment agreements which pay them \$300,000 per year, although they agreed to a reduced salary of \$120,000 each for the initial twelve months.

(5)

A bonus of \$25,000 for options exercised by Messrs. Potts and Woodard.

(6)

Mr. Kendall commenced employment on January 31, 2014 under a one-year employment agreement pursuant to which he is being compensation at a rate of \$120,000 per annum.

(7)

As disclosed in Note 9 to the audited financial statements for the year ended December 31, 2014, The Company estimates the fair value of share-based compensation utilizing the Black-Scholes option pricing model, which is dependent upon several variables such as the expected option term, expected volatility of our stock price over the expected option term, expected risk-free interest rate over the expected option term, expected dividend yield rate over the expected option term, and an estimate of expected forfeiture rates. The Company believes this valuation methodology is appropriate for estimating the fair value of stock options granted to employees and directors which are subject to ASC Topic 718 requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The Company recognizes compensation on a straight-line basis over the requisite service period for each award. The following table summarizes the assumptions the Company utilized to record compensation expense for stock warrants and options granted during the years ended December 31, 2014:

(8)

These warrants vested and became non-forfeitable as of December 31, 2014

Expected term (years)	10.0
Expected volatility	91.55-100.65%
Weighted-average volatility	91.55-100.65%
Risk-free interest rate	2.07-3.99%
Dividend yield	0%
Expected forfeiture rate	0%

Employment Agreements

There are no material plans, contracts or arrangements pursuant to which any executive officer is a party or in which he participates other than those available to all officers and directors of the Company.

On March 1, 2011, the Board of Directors of the Company amended the employment agreement of Dr. Johnny R. Thomas by resolution of the Board. The agreement dated September 1, 2010 was amended effective February 1, 2011, to increase his annual salary from \$99,000 to \$174,000. In 2011, Johnny R. Thomas was awarded five-year performance warrants to purchase 1,000,000 shares each at an exercise price of \$1.25 per share. In November 2012 the warrant exercise price was reduced to \$0.01 per share, the warrants was extended to ten years and the vesting criteria was amended to remove the milestone criteria.

On August 5, 2013, the Board of Directors of the Company approved a three-year extension to Dr. Thomas's employment agreement through August 31, 2016. Dr. Thomas's salary remained at \$174,000 per annum. The Board approved the grant of ten (10)-year warrants to purchase 1,000,000 shares at an exercise price of \$.01 per share. The

warrants initially vested one quarter (250,000 shares) upon grant and 62,500 shall vest quarterly on the last day of each calendar quarter until the remaining 750,000 warrants vest on September 30, 2016. All of Dr. Thomas's warrants vested and became non-forfeitable as of December 31, 2014.

The Company entered into an Employment Agreement effective May 16, 2013, with Robert Potts. Under this Agreement, Mr. Potts will serve as Chief Operating Officer of the Company for a five-year period. The Agreement is automatically renewable for one-year periods on the same terms and conditions unless the Company gives written notice to Mr. Potts at least one-year before May 15, 2018. Mr. Potts's base salary is \$300,000 per annum, however, he agreed to reduce his first year salary to \$120,000. Mr. Potts was entitled to a bonus of \$180,000 on December 31, 2014, in the event at least four power plant projects reach commercial operations by that date, which did not occur.

In addition, Mr. Potts will be entitled to a cash bonus equal to a percentage of pre-tax net profits of the Blue Earth CHP division above those forecasted at the time Mr. Potts' employment commenced. Mr. Potts will forfeit 25% per year (up to 75% in total) of the 3,070,000 shares of the Company's Common Stock which he received upon the acquisition of IPS, subject to vesting as 7 initial power plants are turned on, if he terminates the Agreement without good reason on at least two months prior notice. Mr. Potts also received warrants to purchase 1,200,000 shares exercisable at \$1.18 per share for ten years. If the Agreement is terminated by Mr. Potts for good reason he will be entitled to an amount equal to his annual base salary for one year, any earned but unpaid bonus and any deferred compensation. The Agreement is also terminable by the Company for cause. The Agreement provides for a one-year restricted period following termination of employment, from engaging in a competitive business, or for soliciting employees from and terminating their employment with the Company or hiring any person previously employed by the Company within 90 days of such hiring.

The Company entered into an employment agreement effective May 16, 2013, with Brett Woodard to be the Chief Financial Officer of the Company. It is a five-year agreement with substantially the same terms as Mr. Potts' agreement.

On January 31, 2014, the Company entered into a one-year employment agreement with Donald R. Kendall, Jr. which shall be automatically extended for one-year periods unless terminated by either party on at least thirty (30) days' prior written notice. There is no specific time requirement under the contract. Mr. Kendall is being compensated at the rate of \$120,000 per annum. He received an aggregate of 1,300,000 stock options under his employment contract exercisable at \$2.00, the fair market value of the Company's common stock, when the purchase price was agreed to on December 4, 2013. The Company agreed to negotiate in good faith success fees for transactions he introduces or for which Kendall is actively involved. Mr. Kendall is entitled to a year's severance pay, plus earned bonuses if his contract is terminated by him for good reason or if he is terminated without cause. Kendall is subject to a non-compete and non-solicitation for the longer of the period he is employed by the Company or for two years from the execution of his agreement.

Simultaneously with entering into Mr. Kendall's employment, the Company purchased 100% of the equity interests in Kenmont Solutions Capital GP, LLC (Kenmont), the Company owned by Donald Kendall. The Company issued 25,000 shares of its restricted common stock pursuant to an Equity Exchange Agreement. As compensation, the Company awarded Mr. Kendall 1,725,000 shares of restricted common stock of the Company and options to purchase 200,000 shares of common stock at an exercise price of \$2.00 per share. The above-described 1,750,000 restricted shares of the Company's common stock are subject to an eighteen (18)-month lock-up period and for a leak-out provision for the following twelve (12)-month period ending thirty (30) months from January 31, 2014.

Consulting Agreements

In connection with the Company's acquisition of IPS Engineering, Inc. it entered into substantially similar Independent Contractor and Service Agreements with Broadway Family Group LLC (Broadway) and Planet Investment Consultants, affiliates of IPS Engineering, Inc. on June 3, 2013, and July 1, 2013, respectively. The agreements are for three years to provide consulting services to the Company. The consultants each received warrants to purchase

1,200,000 shares exercisable at \$1.18 per share for ten years. The Warrants vest when the various power plants commence production and produce revenues. The consultants are subject to non-solicitation and non-compete provisions during their consulting and for a one-year period thereafter.

On March 27, 2015, the Company entered into a settlement agreement with Broadway to settle all litigation claims. The Consulting Agreement with Broadway has been cancelled by the Company and Broadway give up any claim to the 1,200,000 warrants.

The Company entered into an Independent Consulting Agreement effective as of November 15, 2011 with Remanco Inc., an entity controlled by David Lies, a principal shareholder of the Company. On October 12, 2013, the Agreement was extended until November 14, 2014. Mr. Lies was granted warrants to purchase 100,000 shares of Common Stock at \$.01 per share for five years. See Certain Relationships and Related Transactions and Director Independence below for information concerning various warrants issued to Members of Management.

Effective February 17, 2014, D. Jason Davis and Joseph Patalano entered into a consulting agreement with Blue Earth and ceased to serve as officers and directors or employees of BE Solar on that date. They will focus their business time on project development, rather than construction of projects. They will be paid a success fee on projects they develop. Mr. Davis was paid \$50,000 against future compensation that may be due to him, and Mr. Patalano was awarded 35,000 shares of common stock as a consultant fee. Messrs. Davis and Patalano will be paid for projects they source and develop, a success fee of 8% of gross profits if no developer is involved, and 4% if a developer is involved, and for certain projects which the consultants develop they will be paid a developer fee mutually agreed to based on the economics of the project.

Equity Incentive Plan

On October 30, 2009, our board of directors and stockholders adopted the 2009 Equity Incentive Plan. The purpose of the 2009 Equity Incentive Plan is to provide an incentive to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship, and to stimulate an active interest of these persons in our development and financial success. Under the 2009 Equity Incentive Plan, we are authorized to issue up to 4,542,000 shares of Common Stock, including incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options, stock appreciation rights, performance shares, restricted stock and long term incentive awards. The 2009 Equity Incentive Plan is administered by a committee of the board of directors. On the closing date of the 2009 Merger, certain of our executive officers, directors and other persons were granted options to purchase common stock exercisable at prices ranging from \$0.90 to \$1.00 per share.

On January 31, 2014, the Company granted Donald R. Kendall, Jr. incentive stock options under the 2009 Equity Incentive Plan to purchase 100,000 shares of Common Stock at \$2.00 per share, the price on December 4, 2013 when the purchase price for his company was agreed upon and non-qualified stock options to purchase 1,400,000 shares of Common Stock at \$2.00 per share. The incentive stock options vested 50,000 shares on February 28, 2014 and 50,000 shares vested on February 28, 2015. The non-qualified stock options vested 200,000 immediately and 1,200,000 at the end of eight (8) three-month periods in 150,000 share increments commencing upon the third month anniversary date of the date of grant.

As of March 25, 2014, the Company granted Ruben R. Fontes options to purchase an aggregate of 150,000 shares of common stock at \$3.00 per share which vest over a three-year period.

As a result of the foregoing issuances, cancellations and exercises, as of December 31, 2014 there were options to purchase an aggregate of 1,370,128 shares of Common Stock remaining under the 2009 Equity Incentive Plan for future issuance.

Grant of Plan-Based Awards

Grant Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other		Grant Date Fair Value of Stock and Option Awards	
		Threshold	Target	Maximum	Threshold	Target	Maximum	Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options		Exercise or Base Price of Option Awards (\$/Sh)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Johnny R. Thomas (PEO)	1-1-2014	-	-	-	-	-	-	-	1,000,000 (1)	\$2,024,721	-
Donald R. Kendall (CEO of Blue Earth Capital, Inc.)	1-31-2014	-	-	-	-	-	-	-	1,500,000(2)	\$1,694,634	-

(1)

These warrants were authorized by the Board of Directors in December 2013 and expensed, in part, (\$4,184,437) in 2013 and made effective as of January 1, 2014 and an additional \$2,024,721 was expensed in 2014.

(2)

These options were granted on July 31, 2014 upon Don Kendall being elected Chief Executive Officer of Blue Earth Capital Inc.

Outstanding Equity Awards at Fiscal Year-End

Other than as set forth below, there were no outstanding unexercised options, unvested stock, and/or equity incentive plan awards issued to our named executive officers as of December 31, 2014.

Name	Option Award		Equity Incentive Plan Awards:		Stock Award		Equity Incentive Plan Awards:		
	Number of Securities Underlying Unexercised Warrants/Options	Number of Securities Underlying Unexercised Warrants/Options	Number of Awards:	Exercise Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Number of Other Rights That Have Not Vested	Market Value of Unearned Shares, Units or Payout Value of Unearned Shares, Units or
Johnny R. Thomas	1,000,000(2)	0 (2)	-0-	\$0.01	March 1, 2021	-0-	-0-	-0-	-0-
Robert Potts	-0-	1,200,000	-0-	\$1.18	May 16, 2023	-0-	-0-	-0-	-0-
	-0-	1,200,000	-0-	\$1.18		-0-	-0-	-0-	-0-

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Brett Woodard					May 16, 2023				
Donald Kendall	700,000	800,000	-0-	\$2.00	Jan. 30, 2024	-800,000-	-0-	-800,000-	-(3)-

(1)

The Closing Price of the Company's Common Stock on December 31, 2014 was \$1.02 per share.

(2)

On August 5, 2013, Johnny R. Thomas was issued 1,000,000 warrants which had not fully vested in connection with the extension of his employment contract, however vested fully as a result of the Board of Directors acceleration of the vesting schedule effective December 31, 2014.

(3)

The exercise price of the unexercised options was greater than the closing market price on December 31, 2014.

Expected term (years)	5.0 - 10.0
Expected volatility	101.49-103.25%
Weighted-average volatility	101.49-103.25%
Risk-free interest rate	3.64-3.99%
Dividend yield	0%
Expected forfeiture rate	0%

Director Compensation

Effective January 1, 2014, the Board of Directors elected Governor Bill Richardson, James A. Kelly and Michael W. Allman, as independent directors and Alan Krusi on August 25, 2014. The Company also elected Robert Potts, Chief Operating Officer of the Company, to the Board of Directors effective January 1, 2014.

(1)

Michael Allman, James Kelly and Governor Bill Richardson were each granted 100,000 restricted shares upon their election to the Board of Directors, which vested one-half on January 1, 2015, and are included in the above table and will vest one-half on January 1, 2016.

(2)

Alan Krusi was granted 100,000 restricted shares upon his election to the Board, which vested one-half on August 25, 2015 and one-half on August 25, 2016.

(3)

Each of Messrs. Allman, Kelly, Richardson, Krusi, as well as Laird Cagan, Chairman of the Board and considered by the Company to be an independent director, were granted (i) 50,000 restricted shares on December 22, 2014, which vest on January 1, 2016, for all but Alan Krusi, whose shares will vest on August 26, 2016, provided they are still members of the Board, and (ii) 100,000 restricted shares, which will vest on January 1, 2017, for all but Alan Krusi, whose shares will vest on August 26, 2017, provided they are still members of the Board of Directors.

Compensation Discussion and Analysis

We seek to have compensation programs for our named executive officers that are intended to achieve a variety of goals, including, but not limited to:

.

attracting and retaining talented and experienced executives in the evolving and competitive energy industry;

.

motivating and fairly rewarding executives whose knowledge, skills and performance are critical to our success; and

.

providing fair and competitive total compensation.

The Compensation Committee took office on January 1, 2014. In determining executive compensation for fiscal year 2015, the Compensation Committee intends to compensate named executive officers and reward them for both Company-wide and individual performance and to attempt to link pay and performance. This policy is intended to assure that our compensation practices are competitive with those in the industry. However, given the fact that our named executive officers are currently working under employment contracts which generally include performance-based equity compensation, the only flexibility the Compensation Committee has is with new hires or cash bonuses to existing officers for extraordinary performance. Our chief executive officer, as he did for prior fiscal years, intends to assist the Compensation Committee in determining compensation for the other named executive officers.

Elements of Executive Officer Compensation

Overview. Total compensation paid to our executive officers is divided among three principal components. Base salary is fixed under employment contracts and does not vary based on our financial and other performance. Other components, such as cash bonuses and stock options, are variable and dependent upon both the Company's performance and individual contribution. Judgments about these elements will be made by the Compensation Committee after a review of relevant factors. The value of the stock options and warrants is dependent upon our future stock price and, accordingly, is intended to reward the named executive officers for favorable Company-wide performance.

Our Compensation Committee will review total compensation particularly with respect to any new hires to ensure that it falls reasonably in line with peer companies and overall market data. Our goal is to promote pay-for-performance and emphasize the variable elements of overall compensation over fixed base salaries. In this regard, it is our policy to emphasize long-term equity awards over short-term cash bonuses as the long-term awards are intended to align with goals such as total shareholder return.

Base Salary. We pay our executives a base salary, which we review annually based on existing employment contracts. We believe that a competitive base salary is a necessary element of any compensation program. Base salaries are established, in part, based on the executive's individual position, responsibility, experience, skills, and historic salary levels with his or her prior business. We will seek to align base compensation levels comparable to our competitors and other companies similarly situated. We do not view base salaries as primarily serving our objective of paying for performance. Furthermore, we believe that our salary levels when combined with long-term equity awards should allow us to hire new executive officers when and as required.

Cash Incentive Bonuses. Consistent with our emphasis on pay-for-performance incentive compensation programs, our executives will be eligible to receive cash incentive bonuses based upon extraordinary performance during the year.

Equity Compensation. We believe that stock options and warrants are an important long-term incentive for our executive officers and other employees and generally align officer interest with that of our stockholders. They are intended to further our emphasis on pay-for-performance.

The Compensation Committee does not have any formal plan or obligation that requires it to grant equity compensation to any executive officer. The authority to make equity grants to our executive officers rests with our full Board of Directors based upon recommendations made by the Compensation Committee. The Committee will consider the input of our chief executive officer in setting the compensation of our other executive officers, including in the determination of appropriate levels of equity grants.

Regulatory Considerations

We account for the equity compensation expense for our employees under the rules of FASB Accounting Standard Codification 718, Compensation - Stock Compensation, or ASC 718.

COMPENSATION COMMITTEE REPORT
ON EXECUTIVE COMPENSATION

The Compensation Committee reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on this review and these discussions, the Compensation Committee recommended that the Compensation Discussion and Analysis be included in this report.

Submitted by Blue Earth, Inc. Compensation Committee:

James A. Kelly, Chairman

Alan Krusi

Michael W. Allman

Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate by reference this Annual Report, in whole or in part, the following Performance Graph shall not be incorporated by reference into any such filings.

COMPARISON OF YEAR COMULATIVE TOTAL RETURN

Among Blue Earth Inc., the NASDAQ Composite Index

and Peer Group

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Assumes \$100 invested on 10/29/2010, assumes dividend reinvested.

		Cumulative Total Return					
		10/29/2010	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Blue Earth, Inc.	Return %		-\$20.00	-\$35.00	-\$7.69	\$126.67	-\$60.29
	Cum \$	\$100.00	\$80.00	\$52.00	48.00	\$108.80	\$43.20
NASDAQ Composite	Return %		\$6.05	\$-0.83	\$17.45	\$40.12	\$14.75
	Cum \$	\$100.00	\$106.05	\$105.18	\$123.53	\$173.09	\$198.61
Peer Group	Return %		\$-6.92	-\$40.72	-\$17.95	\$14.40	-\$20.22
	Cum \$	\$100.00	\$93.08	\$55.18	\$45.27	\$51.79	\$41.32

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

The following table sets forth certain information as of April 13, 2015, regarding the beneficial ownership of our common stock, by (i) each person or entity who, to our knowledge, owns more than 5% of our common stock; (ii) our executive officers named in the Summary Compensation Table above; (iii) each director; and, (iv) all of our executive officers and directors as a group. Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power and that person's address is c/o Blue Earth, Inc., 2298 Horizon Ridge Parkway, Suite 205, Henderson, NV 89052. Shares of common stock subject to options, warrants, or other rights currently exercisable or exercisable within 60 days of the date of this Annual Report, are deemed to be beneficially owned and outstanding for computing the share ownership and percentage of the stockholder holding the options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other stockholder.

Name of Beneficial Owner	Number of Shares	Percentage
	Beneficially Owned	Beneficially Owned(1)
<u>Executive Officers and Directors:</u>		
Johnny R. Thomas	1,229,000 (2)	1.29%
Laird Q. Cagan	4,265,000(3)	4.51%
Brett Woodard	4,270,000(4)	4.52%
Robert Potts	4,270,000(4)(5)	4.52%
Donald R. Kendall, Jr.	2,363,280(6)	2.50%
William (Bill) Richardson	250,000(7)	*
James A. Kelly	250,000(7)	*
Michael W. Allman	250,000(7)	*
Alan Krusi	250,000(8)	*

All executive officers and directors as a group nine (9) persons)	17,397,280(2)(3)(4)	18.40%
--	---------------------	--------

5% Owners

Jackson Investment Group, LLC

2655 Northwinds Parkway

Alpharetta, Georgia 30089 (9)

28,645,776 (10)

30.30%

David Lies

1701 E. Lake Avenue, Suite 260

Glenview, IL 60025

5,398,559(9)

5.71%

(1) Based on 94,557,119 shares of our common stock outstanding on September 11, 2015. Does not include shares of our common stock issuable upon exercise of outstanding options, warrants and warrants issuable upon grant and full exercise of Series C Warrants or conversion of Preferred Stock.

(2) Represents shares issuable upon exercise of management warrants assigned by Johnny R. Thomas to JRT Trust for which he claims beneficial ownership. Does not include any other warrants or shares issued under warrants issued pursuant to his employment agreement, as amended, and assigned to affiliates for estate planning purposes over which shares he does not have the power to vote or dispose of the shares and accordingly disclaims beneficial ownership. See Executive Compensation above.

(3) Includes (a) 300,000 shares beneficially owned by Cagan Capital LLC, a company that Mr. Cagan beneficially owns; (b) 100,000 shares beneficially owned by Mr. Cagan's minor children; (c) 260,000 shares received by Mr. Cagan as a director (d) 437,500 warrants issued to Mr. Cagan that are exercisable at \$0.01 per share (e) 1,000,000 warrants exercisable at \$0.01 per share issued as of April 17, 2013, in consideration of his serving as an emergency financing source; (f) 955,000 warrants issued under a consulting agreement in November 2012 at an exercise price of \$0.01 per share; (g) 212,500 warrants exercisable at \$0.01 per share issued as compensation for a \$650,000 loan to the Company, and (h) 1,000,000 warrants exercisable at \$0.01 per share issued as of January 1, 2014 for services rendered as set forth under Certain Relationships and Related Transactions and Director Independence below.

(4) Consists of 3,070,000 shares issued in exchange for shares owned in IPS Engineering, Inc. and also includes 1,200,000 shares issuable upon the exercise of the warrants issued pursuant to employment and consulting agreements dated May 16, 2013, at an exercise price of \$1.18 per share and shall vest in accordance with the terms thereof.

(5) The 3,070,000 shares described in Note (5) above were acquired by Robert Potts and assigned to Apiary Investment LLC, an entity of which the reporting person is a principal and beneficially owns.

(6) Does not include an aggregate of 1,100,000 shares of common stock issuable upon exercise of options, which are not currently exercisable, however includes 200,000 options which vested on January 31, 2014, 50,000 which vested on February 28, 2014 and 150,000 options exercisable on April 30, 2014, as well as 30,000 shares issuable upon exercise of Class B Warrants.

(7) Consists of 100,000 restricted shares issued upon election to the Board of Directors which vest one-half on January 1, 2015 and one-half on January 1, 2016 and 50,000 restricted shares granted on December 22, 2014, which vest on January 1, 2016, provided each person is still a member of the Board, and (ii) 100,000 restricted shares, which will vest on January 1, 2017, provided each person is still a member of the Board.

(8) Consists of 100,000 restricted shares issued upon election to the Board of Directors, which vest one-half on August 25, 2015 and one-half on August 25, 2016 and 50,000 restricted shares granted on December 22, 2014, which vest on August 26, 2016, provided he is still a member of the Board, and (ii) 100,000 restricted shares, which will vest on August 26, 2017, provided he is still a member of the Board of Directors.

(9) Richard L. Jackson, the sole manager and controlling owner of Jackson Investment Group LLC, has voting and dispositive power over these securities.

(10) Includes (i) 10,000,000 shares issuable upon conversion of a six-month \$10,000,000 12% Senior Secured Convertible Note due September 10, 2015 (the Note) convertible at \$1.00 per share and solely to the extent the Note is not converted prior to maturity, Jackson has the option to purchase up to 10,000,000 shares at \$1.00 per share for six (6) months commencing upon repayment of the Note, (ii) 2,000,000 shares issuable upon exercise of a Warrant which expires on March 10, 2020 at \$1.00 per share, (iii) 13,290,776 shares issued and outstanding; (iv) 1,677,500 shares of common stock issuable upon exercise of Class B Warrants at \$6.00 per Warrant each to purchase one share of common stock and one Class C Warrant exercisable at \$12.00, to purchase an aggregate of 1,677,500 shares of common stock for three years following issuance of the last Class C Warrant.

(11) Consists of (a) 160,000 shares of Series C Preferred Stock convertible into 1,600,000 shares of common stock exclusive of any accrued dividends payable in common stock and (b) 182,000 shares of common stock held by Remanco Inc. of which Mr. Lies is a control person, 8,750 shares held by an IRA account and 3,507,609 shares held by Mr. Lies directly. Does not include 800,000 shares issuable upon exercise of Class A warrants issued in connection with the Company's Series C Preferred Stock Offering; 1,310,720 shares issuable upon exercise of Class B warrants which Mr. Lies and the Company have entered into a Blocking Amendment to such warrants, and 333,333 shares held in escrow by the Company pursuant to a promissory note and pledge agreement entered into by Mr. Lies. Mr. Lies does not have the power to vote and dispose of shares under the Blocking Amendment.

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

Except as set forth below, during the past three years, there have been no transactions, whether directly or indirectly, between the Company and any of its officers, directors and 5% or greater shareholders, or their family members.

Employment Agreements/Warrants

On January 31, 2014, upon the Company's acquisition of Kenmont Solutions Capital GP, LLC, the Company entered into an employment agreement with Donald R. Kendall, Jr. as Chief Executive Officer of Blue Earth Capital, Inc. See Executive Compensation - Employment Agreements.

Warrants

See Executive Compensation for information concerning warrants issued in 2014 to the Named Executive Officers and the Directors of the Company in fiscal year 2014. Additionally, please see description of a consulting agreement

entered into with D. Jason Davis, a former officer and director of BE Solar and a principal shareholder of the Company.

Item 14. Principal Accounting Fees and Services.

Auditors Fees

HJ & Associates, LLC (HJA) was appointed as the independent registered public accounting firm for the fiscal year ended December 31, 2012. Subsequently, HJA was also appointed as the independent registered public accounting firm for the fiscal year ended December 31, 2011.

In its review of non-audit services and its appointment of the independent registered public accounting firms, the Audit Committee considered whether the provision of such services is compatible with maintaining independence. All of the services provided and fees charged by the independent registered public accounting firms were approved by the Audit Committee.

The following table shows the fees for the fiscal years ended December 31, 2014, 2013 and 2012.

	Fiscal 2014	Fiscal 2013	Fiscal 2012
	HJ & Associates, LLC	HJ and Associates, LLC	HJ and Associates, LLC
Audit Fees (1)	\$ 125,200	\$ 131,400	\$ 55,000
Audit Related Fees(2)	\$ 27,800	\$ 22,100	\$ 0
Tax Fees	\$ 0	\$ 0	\$ 0
All Other Fees (3)	\$ 0	\$ 56,200	\$ 0
Total	\$ 153,000	\$ 209,700	\$ 55,000

(1) Audit fees - these fees relate to the audit of our annual financial statements and the review of our interim quarterly financial statements.

(2) Audit related fees - these fees relate primarily to the auditors' review of our registration statements and audit related consulting.

(3) All other fees - these fees relate to \$40,000 for the re-audit of the Company's financial statements for the year ended December 31, 2011 and \$16,200 related to acquisition audit fees.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Blue Earth, Inc.

San Francisco, California

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 report dated March 16, 2015, we expressed an unqualified opinion that 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. Management has subsequently determined that a deficiency in internal control over financial reporting exists related to the presentation and disclosure controls, and has further concluded that such deficiency represented a material weakness as of December 31, 2014. As a result, management has revised its assessment, as presented in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, to conclude that the Company's internal controls over financial reporting were not effective as of December 31, 2014. Accordingly, our present opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, as expressed herein, is different from that expressed in our previous report.

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A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in a control over presentation and disclosure requirements specifically related to identifying necessary footnote disclosure requirements. This material weakness was a result of the amendment of Blue Earth, Inc. and Subsidiaries consolidated financial statements as of December 31, 2014 and for the year then ended.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Blue Earth, Inc. has not maintained 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. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2014 financial statements, and this does not affect our report dated March 16, 2015, except for the effects of the amendment described in Notes 2, 3, 6, 7, 9, 11, 13, 15, 16, 17, 18, 19, 20 and 21, as to which the date is February 9, 2016, which expressed an unqualified opinion on those financial statements.

/s/ HJ & Associates, LLC

Salt Lake City, Utah

March 16, 2015, except for the effects of the material misstatement described

in the fifth paragraph above, as to which the date is February 9, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Blue Earth, Inc. and Subsidiaries

San Francisco, California

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. Our report originally dated March 16, 2015 and then updated on October 5, 2015 expressed an opinion that Blue Earth, Inc. had not maintained 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.

The financial statements have been amended for (1) retrospective adjustments to the consolidated financial statements for the operations which have been classified as discontinued as discussed in Note 19 to the consolidated financial statements; (2) changes to the consolidated financial statements relating to the accruals for litigation settlements which

were settled subsequent to the issuance of the consolidated financial statements as discussed in Notes 9 and 21; (3) expensing, as share-based compensation, shares issued in connection with an acquisition as discussed in Note 21; and (4) modifications to footnotes 2, 3, 6, 7, 9, 11, 13, 15, 16, 17, 18, and 20 to enhance the presentation and disclosures.

/s/ HJ & Associates, LLC

Salt Lake City, Utah

March 16, 2015, except for Notes 2, 3, 6, 7, 9, 11, 13, 15, 16, 17, 18, 19, 20 and 21, as to

which the date is February 9, 2016

BLUE EARTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(restated)

<u>ASSETS</u>	December 31, 2014	December 31, 2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,883,621	\$ 8,373,380
Restricted cash	632,102	-
Accounts receivable, net	1,739,822	5,308,796
Costs and revenues in excess of billings	3,967,207	395,442
Inventory, net	352,862	143,957
Construction in progress	68,213	2,254,902
Other receivables	78,926	2,195,554
Prepaid expenses and deposits	1,639,531	1,936,461
Total Current Assets	11,362,284	20,608,492
PROPERTY AND EQUIPMENT, net	56,815,626	828,311
OTHER ASSETS		
Deposits	80,455	45,692
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	16,100,353	18,762,368
Assets of discontinued operations	1,221,631	2,150,404
Total Other Assets	30,769,655	64,993,964
TOTAL ASSETS	\$ 98,947,565	\$ 86,430,767
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 3,933,969	\$ 2,392,660
Current portion of notes payable	121,466	1,500,000
Related party payables	1,333,147	1,333,147
Billings in excess of revenues	-	438,952
Deferred revenues	-	11,993
Accrued expenses	2,857,597	317,503
Payroll expenses payable	167,780	115,320
Preferred dividends payable	-	403,690
Liabilities of discontinued operations	354,665	579,483
Total Current Liabilities	8,768,624	7,092,748
LONG TERM LIABILITIES		
Long term portion of notes payable	-	-
Total Liabilities	8,768,624	7,092,748

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	(98,075,250)	(62,727,793)
Total Stockholders' Equity	90,178,941	79,338,019
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 98,947,565	\$ 86,430,767

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

BLUE EARTH, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(restated)

	2014	For the Year Ended December 31, 2013	2012
REVENUES	\$ 12,470,718	\$ 6,938,804	\$ 5,009,500
COST OF SALES	11,989,279	5,702,074	3,800,141
GROSS PROFIT	481,439	1,236,730	1,209,359
OPERATING EXPENSES			
Depreciation and amortization	2,781,460	2,227,153	2,020,692
General and administrative	29,225,485	22,996,185	8,988,891
Total Operating Expenses	32,006,945	25,223,338	11,009,583
LOSS FROM OPERATIONS	(31,525,506)	(23,986,608)	(9,800,224)
OTHER INCOME (EXPENSE)			
Gain (loss) on derivative valuation	-	-	2,037,325
Other income	40,276	1,532	12,646
Loss from equity investment	(269,592)	-	-
Interest expense	(424,425)	(527,160)	(145,322)
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)	(652,062)	111,468	1,716,849
LOSS BEFORE INCOME TAXES	(32,177,568)	(23,875,140)	(8,083,375)
INCOME TAX EXPENSE	-	-	-
LOSS FROM CONTINUING OPERATIONS	(32,177,568)	(23,875,140)	(8,083,375)
LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS, net of income taxes of \$0	(595,616)	-	-
LOSS FROM DISCONTINUED OPERATIONS, net of income taxes of \$0	(1,070,691)	(1,598,254)	(1,523,759)

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NET LOSS	(33,843,875)	(25,473,394)	(9,607,134)
PREFERRED DIVIDENDS	(1,503,582)	(3,188,450)	(545,020)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (35,347,457)	\$ (28,661,844)	\$ (10,152,154)
BASIC AND DILUTED LOSS PER SHARE			
Continuing Operations	\$ (0.46)	\$ (0.74)	\$ (0.46)
Discontinued Operations	(0.02)	(0.05)	(0.08)
Net Loss Per Share	\$ (0.49)	\$ (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

(restated)

	Preferred Stock		Common Stock		Additional	Stock	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Subscription Receivable	Deficit	Stockholders' Equity
B a l a n c e , 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	-	-	497,429
Common stock cancelled for technology	-	-	(75,000)	(75)	(89,175)	-	-	(89,250)
Common stock cancelled for exercise of options	-	-	(84,180)	(84)	84	-	-	-
Common stock cancelled for stock subscription receivable	-	-	(877,364)	(877)	(2,631,315)	2,632,192	-	-
Common stock issued upon exercise of warrants and options	-	-	467,723	468	128,143	-	-	128,611

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Preferred shares and warrants issued for cash and services	380,902	381	-	-	3,598,007	-	-	3,598,388
Stock option and warrant expense	-	-	-	-	4,892,060	-	-	4,892,060
Derivative attached to preferred stock	-	-	-	-	110,990	-	-	110,990
Net loss attributed to common shareholders								
for the year ended December 31, 2012	-	-	-	-	-	-	(10,152,154)	(10,152,154)
Balance, December 31, 2012	510,152	510	20,882,549	20,883	42,332,298	-	(34,065,949)	8,287,742
Preferred shares and warrants issued for cash	903,500	904	-	-	8,516,411	-	-	8,517,315
Common stock cancelled for assets	-	-	(458,644)	(458)	(1,291,288)	-	-	(1,291,746)
Common stock issued for equipment	-	-	64,263	64	195,295	-	-	195,359
Common stock issued for subsidiaries	-	-	20,578,211	20,578	58,898,806	-	-	58,919,384
Common stock issued upon conversion of debt	-	-	389,358	389	573,159	-	-	573,548
Common stock issued upon exercise of warrants and options	-	-	8,007,870	8,008	13,988,313	(1,600,000)	-	12,396,321
Common stock issued upon conversion								
of preferred stock and accrued dividends	(843,652)	(844)	9,631,853	9,632	3,216,259	-	-	3,225,047
	-	-	1,110,383	1,110	2,767,127	-	-	2,768,237

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Common stock issued for services								
Stock option and warrant expense	-	-	-	-	14,408,656	-	-	14,408,656
Net loss attributed to common shareholders								
for the year ended December 31, 2013	-	-	-	-	-	-	(28,661,844)	(28,661,844)
Balance, December 31, 2013	570,000	570	60,205,843	60,206	143,605,036	(1,600,000)	(62,727,793)	79,338,019
Common stock issued for equity method investment	-	-	3,729,604	3,730	7,996,271	-	-	8,000,001
Common stock issued upon exercise of warrants and options	-	-	11,467,817	11,467	12,698,944	1,600,000	-	14,310,411
Common stock issued upon conversion of preferred stock and accrued dividends	(570,000)	(570)	6,386,729	6,387	1,901,456	-	-	1,907,273
Common stock issued for services	-	-	2,468,720	2,469	6,196,766	-	-	6,199,235
Common stock issued for cash	-	-	10,000,000	10,000	9,990,000	-	-	10,000,000
Stock option and warrant expense	-	-	-	-	5,771,459	-	-	5,771,459
Net loss attributed to common shareholders								
for the year ended December 31, 2014	-	-	-	-	-	-	(35,347,457)	(35,347,457)
Balance, December 31,	- \$	-	94,258,713	\$94,259	\$188,159,932	\$	-\$ (98,075,250)	\$ 90,178,941

2014

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

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BLUE EARTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(restated)

	For the Year Ended December 31,		
	2014	2013	2012
OPERATING ACTIVITIES			
Net loss	\$ (33,843,875)	\$ (25,473,394)	\$ (9,607,134)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock options and stock warrants issued for services	5,771,459	14,408,656	4,307,594
(Gain) loss on derivative valuation	-	-	(2,037,325)
Derivative attached to preferred stock	-	-	110,990
Loss on equity subsidiary	269,592	-	-
Impairment of inventory	299,573	-	-
Mark gas futures to market	2,884	-	-
(Gain) loss on settlement of debt	9,556	(637,096)	23,133
(Gain) on sale of assets	(11,235)	-	-
Loss on settlement of license	-	-	164,667
Stock issued for services	6,199,235	2,698,187	497,429
Depreciation and amortization	2,781,460	2,227,153	2,020,692
Amortization of debt discount	-	58,366	37,306
Changes in operating assets and liabilities:			
Accounts receivable and billings in excess	(1,464,509)	(2,691,696)	(2,685,252)
Inventory	1,491,523	(35,627)	-
Restricted cash	(632,102)	-	-
Construction in progress	280,751	(1,548,859)	(401,886)
Prepaid expenses and deposits	783,611	(1,013,109)	324,391
Accrued dividends payable	-	-	(240,921)
Accounts payable and accrued expenses	3,757,059	(213,329)	922,372
Net Cash Used in Operating Activities	(14,305,018)	(12,220,748)	(6,563,944)
Net Cash Provided by Discontinued Operating Activities	635,288	392,690	967,388
INVESTING ACTIVITIES			
Purchase of gas futures	(2,429,150)	-	-
Collection of other receivables	206,628	-	-
Proceeds from sale of construction project	1,848,321	-	-
Purchase of equity method investment	(1,622,993)	-	-
Lending of other receivables	-	(2,195,554)	-
Purchase of property and equipment	(12,661,902)	(126,351)	(10,188)
Net Cash Used in Investing Activities	(14,659,096)	(2,321,905)	(10,188)
Net Cash Used in Discontinued Investing Activities	(54,004)	(2,924)	-
FINANCING ACTIVITIES			
Proceeds from common stock warrants and options exercised,			

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net of \$164,437 of offering costs	12,710,411	12,396,321	91,950
Proceeds from common stock	10,000,000	-	-
Cash received on stock subscriptions	1,600,000	-	-
Proceeds from related party loans	-	420,000	1,605,000
Proceeds from preferred stock, net	-	8,517,315	3,598,388
Cash received from subsidiary	-	531,460	-
Proceeds from notes payable	579,148	3,000,000	1,208,008
Repayment of notes payable and line of credit	(1,957,682)	(2,002,717)	(740,410)
Repayment of related party loans	(4,004)	(691,853)	(6,614)
Net Cash Provided by Financing Activities	22,927,873	22,170,526	5,756,322
Net Cash (Used in) Discontinued Financing Activities	(34,802)	(66,243)	(85,377)
NET INCREASE (DECREASE) IN CASH	(5,489,759)	7,951,396	64,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,373,380	421,984	357,783
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,883,621	\$ 8,373,380	\$ 421,984

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

BLUE EARTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

(restated)

	2014	For the Year Ended December 31, 2013	2012
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
CASH PAID FOR:			
Interest	\$ 340,619	\$ 187,999	\$ 83,625
Income taxes	-	-	-
NON CASH FINANCING ACTIVITIES:			
Common stock issued upon conversion of debt	\$ -	\$ 573,548	\$ 1,441,180
Common stock issued upon conversion of preferred stock	1,907,843	3,225,047	708
Common stock cancelled for assets	-	(1,291,746)	(253,917)
Common stock issued for acquisition of subsidiaries	4,602,500	58,919,384	-
Common stock issued for equity method investment	8,000,001	-	-
Common stock issued for equipment	-	195,359	-
Common stock cancelled for subscription	-	-	(2,632,192)
Common stock cancelled	-	-	(84)
Cashless exercise of warrants	-	-	147
Initial debt discounts on notes payable	-	-	71,172
Interest reclassification to notes payable	-	-	7,853
Preferred dividends declared	1,503,582	3,188,450	545,020
Warrant vesting recognized as a prepaid expense	-	-	513,294
Warrants exercised for accrued wages	-	-	36,660
Shares issued for construction in progress costs	-	-	486,650

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

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 1 - DESCRIPTION OF BUSINESS

Blue Earth, Inc. and subsidiaries (the Company), a Nevada corporation headquartered in San Francisco, California, is a comprehensive provider of 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. The Company's 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). These accounting principles require management to make certain estimates, judgments and assumptions. Management believes that the estimates, judgments and assumptions upon which they rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. The consolidated financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. Significant estimates include the estimates of depreciable lives and valuation of property and equipment, valuation and amortization periods of intangible assets, valuation of derivatives, valuation of payroll tax contingencies, valuation of share-based payments, and the valuation allowance on deferred tax assets.

Principles of Consolidation

The consolidated financial statements for 2014 reflect the financial position and operations of the Company and its wholly-owned subsidiaries, Blue Earth Tech, Inc. (BETI), Blue Earth Generator, Inc. (BEGI), Blue Earth Energy Power Solutions, LLC. (BEEPS), Ecolegacy Gas & Power, LLC (Eco), Blue Earth Solar, Inc. (BE Solar), Blue Earth

Peak Power Solutions, Inc. (BEPPS), Blue Earth Finance, Inc. (BEFI), Blue Earth Capital, Inc. (BECI), Blue Earth CHP, Inc. (BECHP), and its 7 Special Purpose Entities (SPE s) which hold assets of the co-generation projects. The consolidated financial statements for 2013 reflect the financial position and operations of the Company and its wholly-owned subsidiaries, Blue Earth Tech, Inc. (BETI), Blue Earth Energy Management, Inc. (BEEM), Blue Earth Energy Power Solutions, LLC. (BEEPS), Ecolegacy Gas & Power, LLC (Eco), Blue Earth Solar, Inc. (BE Solar), Blue Earth Peak Power Solutions, Inc. (BEPPS), Blue Earth Finance, Inc. (BEF), IPS Power Engineering, Inc. (IPS), Intelligent Power, Inc. (IP), and Millennium Power Solutions, LLC (MPS). The consolidated financial statements for 2012 reflect the financial position and operations of the Company and its wholly-owned subsidiaries, Blue Earth Tech, Inc. (BETI), Blue Earth Energy Management, Inc. (BEEM), Ecolegacy Gas & Power, LLC (Eco), Blue Earth Solar, Inc. (BE Solar), and Blue Earth Finance, Inc. (BEFI) The Company s subsidiary Blue Earth Energy Management Services, Inc. (BEEMS) was disposed of subsequent to December 31, 2014 and is classified as discontinued operations in all periods presented. The Company s subsidiary HVAC Controls and Specialties, Inc. was disposed of subsequent to December 31, 2013 and is classified as discontinued operations in all periods presented.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Restated)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with an original maturity at the date of purchase of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2014, 2013 and 2012.

Advertising

The Company conducts advertising for the promotion of its services. In accordance with ASC Topic 720-35-25, advertising costs are charged to operations when incurred. Advertising costs aggregated \$93,818, \$7,037 and \$41,086 for the years ended December 31, 2014, 2013 and 2012, respectively.

Intangible Assets

The Company records the purchase of intangible assets not purchased in a business combination in accordance with the ASC Topic 350 and records intangible assets acquired in a business combination in accordance with ASC Topic 805. In connection with the purchases of BEPPS, BEEPS, and BE Solar the Company has recorded \$23,324,930 as the value of customer contracts and technology. These amounts are being amortized over their estimated useful lives of 5 years for customer contracts and 17 years for technology. The Company recorded amortization expense of \$2,662,016, \$2,125,967 and \$1,827,445 during the years ended December 31, 2014, 2013 and 2012, respectively. Annual amortization expense will be \$2,662,106 through 2016 after which it will fall to \$834,571 through 2030.

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. The Company's allowance for doubtful accounts was \$333,013, \$21,282 and \$0 as of December 31, 2014, 2013 and 2012, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets per the following table. Expenditures for additions and improvements are capitalized while repairs and maintenance are expensed as incurred.

Category	Depreciation Term
Leasehold improvements	Term of lease
Computer and office equipment	3-7 years
Manufacturing and installation equipment	5-10 years
Software	5 years
Cogeneration plants	20 years

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets

Management evaluates the recoverability of the Company's identifiable intangible assets and other long-lived assets in accordance with ASC Topic 360, which generally requires the assessment of these assets for recoverability when events or circumstances indicate a potential impairment exists. Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, a significant decline in the Company's stock price for a sustained period of time, and changes in the Company's business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets. If impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment loss is measured as the amount by which the carrying amount of the assets exceeds the fair market value of the assets.

Reserve for Warranty

The Company has accrued a reserve for the estimated cost of completing warrantied services. The reserve is \$93,578, \$65,590 and \$1,717 as of December 31, 2014, 2013 and 2012, respectively.

Fair Value Measurements

On January 1, 2008, the Company adopted the provisions of ASC Topic 820 Fair Value Measurements and Disclosures. ASC Topic 820 defines fair value as used in numerous accounting pronouncements, establishes a framework for measuring fair value and expands disclosure of fair value measurements. Excluded from the scope of ASC Topic 820 are certain leasing transactions accounted for under ASC Topic 840, Leases. The exclusion does not apply to fair value measurements of assets and liabilities recorded as a result of a lease transaction, but measured pursuant to other pronouncements within the scope of ASC Topic 820.

Revenue Recognition

Construction Revenues: Revenue from certain long-term, integrated project management contracts to provide solar and CHP construction and completion services is reported on the percentage-of-completion method of accounting. Progress is generally based upon physical progress related to contractually defined units of work. At the outset of each contract, we prepare a detailed analysis of our estimated cost to complete the project. Risks related to service delivery, usage, productivity, and other factors are considered in the estimation process. The recording of profits and losses on long-term contracts requires an estimate of the total profit or loss over the life of each contract. This estimate requires consideration of total contract value, change orders, and claims, less costs incurred and estimated costs to complete. Anticipated losses on contracts are recorded in full in the period in which they become evident. Profits are recorded based upon the total estimated contract profit times the current percentage complete for the contract.

Service Contracts: Revenue from service contracts is recognized once the Company has established that (i) there is evidence of an arrangement, (ii) delivery has occurred and the performance obligation is substantially complete; (iii) the fee is fixed or determinable and (iv) collection is probable.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Product Sales: Product sales revenues are recognized revenues when: (i) persuasive evidence of a sales arrangement exists, (ii) the sales terms are fixed and determinable, (iii) title and risk of loss have transferred, and (iv) collectability is reasonably assured. Generally customers are invoiced upon delivery, installation and acceptance of the product by the customer.

During the three months ended September 30, 2014, the Company recognized a \$2,413,623 loss on the NEP Solar project due to estimated losses on pending litigation. During the three months ended December 31, 2014, an additional loss of \$825,000 was recognized due to the settlement of litigation on the NEP Solar project. The total loss recognized for the NEP Solar project for the twelve months ended December 31, 2014 was \$3,238,623.

During the three months ended December 31, 2014, the Company recognized a \$277,332 loss on a solar construction project. The loss was due to an updated project cost estimate associated with our Hawaii solar construction project. The project is accounted for under the percentage of completion method of accounting.

Stock-Based Compensation

The Company recognizes compensation expense for stock-based compensation in accordance with ASC Topic No. 718. For employee stock-based awards, the Company calculates the fair value of the award on the date of grant using the Black-Scholes method for stock options; the expense is recognized over the service period for awards expected to vest. For non-employee stock-based awards, the Company calculates the fair value of the award on the date of grant in the same manner as employee awards, however, the awards are revalued at the end of each reporting period and the pro rata compensation expense is adjusted accordingly until such time the nonemployee award is fully vested, at which time the total compensation recognized to date shall equal the fair value of the stock-based award as calculated on the measurement date, which is the date at which the award recipient's performance is complete.

The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

Research and Development

In accordance with ASC Topic 730, *Research and Development*, expenditures for research and development of the Company's products and services are expensed when incurred, and are included in operating expenses. The Company recognized research and development costs of \$163,758, \$252,597 and \$582, for the years ended December 31, 2014, 2013 and 2012, respectively.

Natural Gas Futures

The Company accounts for its purchased Natural Gas Futures in accordance with ASC Topic 820 *Fair Value Measurements and Disclosures*. The Natural Gas Futures are marked to market at the end of each fiscal quarter using prices quoted on the NYMEX:NG.

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.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-40 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for unrecognized tax benefits. As of December 31, 2014, the tax years 2011 through 2014 remain open for IRS audit. The Company has received no notice of audit from the Internal Revenue Service for any of the open tax years. The provisions of ASC Topic 740-10-25-09, provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The term *effectively settled* replaces the term *ultimately settled* when used to describe recognition, and the terms *settlement* or *settled* replace the terms *ultimate settlement* or *ultimately settled* when used to describe measurement of a tax position under ASC Topic 740. Topic 740-10-25-09 clarifies that a tax position can be effectively settled upon the completion of an examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open.

Basic and Diluted Loss Per Share

Basic net loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares of common stock outstanding during the periods presented. Diluted net loss per common share is computed using the weighted average number of common shares outstanding for the period, and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, stock warrants, convertible preferred stock or other common stock equivalents. Options to purchase 1,115,207, 1,011,290 and 960,761 common shares and warrants to purchase 14,231,918, 25,632,407 and 19,807,876 common shares were outstanding at December 31, 2014, 2013 and 2012, respectively, but were not included in the computation of diluted loss per share because the effects would have been anti-dilutive. These options and warrants may dilute future earnings per share.

Inventory

Inventory is recorded at the lower of cost or market (net realizable value) using the average cost method. The inventory on hand as of December 31, 2014, 2013 and 2012 and consists of batteries and battery components at costs

of \$352,862 (net of \$6,188 allowance), \$143,957 (net of \$-0- allowance) and \$0 (net of \$-0- allowance), respectively. The Company does not have any work in progress.

Accounting for Derivatives

The Company evaluates its options, warrants, preferred stock, or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815,

Derivatives and Hedging . The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liability at the fair value of the instrument on the reclassification date.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income

The Company has no items of other comprehensive income as of December 31, 2014, 2013 and 2012.

Changes in Presentation

Certain changes have been made to conform the prior period loss per share data to the current presentation. These changes had no effect on reported net loss.

Recent Accounting Pronouncements

The Company has evaluated recent accounting pronouncements and their adoption has not had or is not expected to have a material impact on the Company's financial position or its financial statements.

NOTE 3 - PREPAID EXPENSES AND DEPOSITS

The components of the Company's prepaid expenses as of December 31, are as follows:

	2014	2013	2012
Consulting fees (term 1-9 months)	\$ 713,289	\$ 1,680,818	\$ 696,868
Rent (term 1 month)	32,966	14,534	--
Insurance (term 11 months)	133,760	147,321	42,555
Pre-contract costs	522,433	--	--
Deposits (term 1 month)	237,083	93,788	176,279
Total prepaid expenses and deposits	\$ 1,639,531	\$ 1,936,461	\$ 915,702

NOTE 4 - TECHNOLOGY LICENSE

On May 16, 2011, the Company purchased a license to energy conservation technology known as SwitchGenie . The purchase price was \$100,000 and 150,000 shares of the Company s common stock valued at \$1.18 per share, which was the market price on the transaction closing date. The license also requires the Company to pay a royalty based upon SwitchGenie sales. The Company had prepaid \$68,213 in royalties against the license as of December 31, 2011 which was included in prepaid expenses. The Company was amortizing the cost of the license over the expected life of 5 years and has recorded \$13,850 of amortization expense during the year ended December 31, 2012. During the year ended December 31, 2012 the Company returned the technology license to the licensor in exchange for 75,000 shares of common stock and terminated the exclusive license and entered into a non-exclusive license and supply agreement.

NOTE 5 - OTHER RECEIVABLES

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 a minimum of 147 MW of projects over the next 20 months.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Restated)

NOTE 5 - OTHER RECEIVABLES (continued)

In addition, the Company had agreed to make a \$6.5 million loan in solar projects. \$2,000,000 was loaned as of December 31, 2013. Our commitment to lend up to an additional \$4,500,000, as verbally extended, expired on March 31, 2014. The loan 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.

NOTE 6 - PROPERTY AND EQUIPMENT

The major classes of assets as of December 31, are as follows:

	2014	2013	2012
Office and computer equipment	\$ 327,023	\$ 278,556	\$ 172,466
Software	91,256	95,931	95,274
Manufacturing and installation equipment	442,450	402,063	170,537
Leasehold improvements	759,304	759,304	759,304
Construction in progress - internal	56,022,581	--	--
Sub Total	57,642,614	1,535,854	1,197,581
Accumulated Depreciation	(826,988)	(707,543)	(598,138)
Net	\$ 56,815,626	\$ 828,311	\$ 599,443

Depreciation expense was \$119,445, \$101,186 and \$184,014, for the years ended December 31, 2014, 2013 and 2012, respectively.

NOTE 7 - INTANGIBLE ASSETS

The major classes of assets as of December 31, are as follows:

	2014	2013	2012
Cost:			
Xnergy customer base	\$ 9,137,225	\$ 9,137,225	\$ 9,137,225
Intelligent Power patents	4,147,832	4,147,832	-
Millenium Power battery technology	10,039,872	10,039,872	-
Total Cost	23,324,929	23,324,929	9,137,225
Accumulated Amortization:			
Xnergy customer base	(6,091,483)	(4,264,038)	(2,436,593)
Intelligent Power patents	(345,653)	(101,663)	-
Millenium Power battery technology	(787,441)	(196,860)	-
Total Accumulated Amortization	(7,224,577)	(4,562,561)	(2,436,593)
Net	\$ 16,100,352	\$ 18,762,368	\$ 6,700,632

The Company recorded amortization expense of \$2,662,016, \$2,125,967 and \$1,827,445 during the years ended December 31, 2014, 2013 and 2012, respectively. Annual amortization expense will be \$2,662,106 through 2016 after which it will fall to \$834,571 through 2030.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows the provisions of ASC 820 for fair value measurements of all nonfinancial assets and nonfinancial liabilities not recognized or disclosed at fair value in the financial statements on a recurring basis. The accounting standard for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standard established a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

There were no changes in the valuation techniques during the years ended December 31, 2014, 2013 and 2012. The estimated fair value of certain financial instruments, including cash and cash equivalents and current liabilities, are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments.

Assets:

On December 15, 2014, the Company purchased 639.25 natural gas option contracts for \$2,429,150, to mitigate its exposure to fluctuations in natural gas price in connection with its CHP facility in Alberta, Canada. The gas delivery dates range from January 1, 2016 to December 31, 2022. At each reporting date the Company revalues the options to the NYMEX-NG last trade value. The Company recorded a loss of \$2,884 for the period ended December 31, 2014 on the value of contracts. The Company had no nonfinancial assets of December 31, 2013 and 2012. Assets measured at fair value on a recurring and non-recurring basis consisted of the following at December 31, 2014:

Liabilities:	Total Carrying	(Level 1)	(Level 2)	(Level 3)
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Value at

December 31, 2014

Natural gas futures	\$	2,426,266	\$	2,426,266	\$	-	\$	-
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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following is a summary of activity of Level 1 assets for the years ended December 31, 2014, 2013 and 2012:

Balance at December 31, 2011	\$	--
Change in fair value 2012		--
Balance at December 31, 2012		--
Change in fair value 2013		--
Balance at December 31, 2013		--
Purchases of futures contracts		2,429,150
Change in fair value 2014		(2,884)
Balance at December 31, 2014	\$	2,426,266

Liabilities:

The Company had no nonfinancial liabilities as of December 31, 2014 and 2013. Liabilities measured at fair value on a recurring and non-recurring basis consisted of the following at December 31, 2012:

	Total Carrying			
	Value at			
	December 31, 2013/2014	(Level 1)	(Level 2)	(Level 3)
Warrant derivative liability	\$	--	\$	--
		\$	--	\$
		--	\$	--

The following is a summary of activity of Level 3 liabilities for the years ended December 31, 2014, 2013 and 2012:

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Balance at December 31, 2011	\$	2,037,325
Change in fair value 2012		(2,037,325)
Balance at December 31, 2012		--
Change in fair value 2013		--
Balance at December 31, 2013		--
Change in fair value 2014		--
Balance at December 31, 2014	\$	--

The Company estimates the fair value of the warrant derivative liability utilizing the Black-Scholes option pricing model, which is dependent upon several variables such as the expected warrant term, expected volatility of our stock price over the expected warrant term, expected risk-free interest rate over the expected warrant term, and the expected dividend yield rate over the expected warrant term. The Company believes this valuation methodology is appropriate for estimating the fair value of the warrant derivative liability. The following table summarizes the assumptions the Company utilized to estimate the fair value of the warrant derivative liability at December 31, 2011:

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BLUE EARTH, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assumptions	December 31, 2011
Expected term (years)	1.8 -9.7
Expected volatility	152%
Risk-free interest rate	0.71% - 4.13%
Dividend yield	0.00%

The expected warrant term is based on the remaining contractual term. The expected volatility is based on historical volatility. The risk-free interest rate is based on the U.S. Treasury yields with terms equivalent to the expected term of the related warrant at the valuation date. Dividend yield is based on historical trends. While the Company believes these estimates are reasonable, the fair value would increase if a higher expected volatility was used, or if the expected dividend yield increased.

NOTE 9 - COMMITMENTS AND CONTINGENCIES**Employment Agreements**

On March 1, 2011, the Board of Directors of the Company amended the employment agreement of its CEO to provide for an annual salary of \$174,000. On May 16, 2013, the Company entered into employment agreements with its Chief Operating Officer and with its Chief Financial Officer which pay each of them \$300,000 per year. The COO and CFO agreed to a reduced salary of \$120,000 each for the first year. On January 31, 2014 the Company entered into a one year employment agreement with the CEO of BE Capital for \$120,000.

Legal Matters

On October 24, 2014, a purported class action lawsuit was filed against the Company, two executive officers, and one non-executive officer in the U.S. District Court for the Central District of California (Case No:2:14-cv-08263). On January 21, 2015, the court appointed a Lead Plaintiff and Lead Plaintiff's Counsel. The Court also re-captioned the case In re Blue Earth, Inc. Securities Litigation, File No. CV 14-8263 DSF (JEMx). On March 13, 2015, plaintiff filed a First Amended Complaint (FAC). The FAC alleges claims under Sections 10(b) and 20(a) of the Exchange Act, and a purported class of purchasers of the Company's stock during the period from October 7, 2013 through October 21,

2014. Defendants responded and filed a motion to dismiss FAC. Plaintiff's opposition to the motion has been submitted and Defendants have submitted a reply to the opposition. Oral arguments regarding the motion to dismiss are scheduled for October 2015. The Company believes the claims contained in the complaint are without merit and is vigorously defending the matter.

On August 31, 2015, a derivative lawsuit was filed in Nevada state court, captioned Powell v. Cagan, et al., No. A-15-723839-C (8th Judicial District Court, Clark County, Nevada). It names as defendants Brett Woodard, Johnny R. Thomas, John C. Francis, and the entire Board of Directors. It also names the Company as a nominal defendant. The complaint brings claims for breaches of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets, from October 2013 to the present based on directors and management allegedly allowing the Company to make false and misleading statements to the public, thereby resulting in a class action lawsuit and exposing the Company to damages. The defendants have not yet been served. The Company believes the claims contained in the complaint are without merit and will vigorously defend this matter.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

The Company has already paid and expensed legal fees of \$175,000 in connection with the purported class action and derivative suit, which is the full amount of the Directors and Officers insurance policy deductible. The Company believes that the purported class action suit and derivative suit are without merit and that the plaintiffs will not prevail. The Company believes that the risk of loss is remote.

During 2014, the Company and two consultants filed demands for arbitration with the American Arbitration Association. On August 8, 2015, the Company and two consultants received the award from the arbitrator in the Company's arbitration with two of its consultants/former employees, who had voluntarily resigned. The arbitrator awarded the two consultants damages of \$1,270,000; \$101,243 for breach of contract; certain declaratory relief upholding the validity of the consulting agreement; and reimbursement of the consultants' attorney's fees and costs incurred in the arbitration of \$341,375. The award is a Type 1 subsequent event accordingly the Company's financial statements are restated to reflect the award on a retroactive basis.

During 2014 the Company filed a demand for arbitration with the American Arbitration Association and National Energy Partners LLC (NEP) and its subsidiary, Hawaii Solar LLC (HS) counterclaimed. The Company subsequently initiated two actions in the First Circuit Court of the State of Hawaii, the first titled Xnergy and Blue Earth, Inc. vs. Hawaii Solar, LLC. National Energy Partners, LLC, et al., Civil No. M-1-1694-08 (JHC) (the Xnergy Action) and the second titled Blue Earth Solar, Inc. vs. State of Hawaii, Department of Education, et al. (the DOE Action). The parties agreed to attempt to resolve their dispute through arbitration administered by Dispute Prevention and Resolution (DPR Arbitration). On August 30, 2015, the parties to the above Xnergy Action, DOE Action and DPR Arbitration entered into a Settlement Agreement and Release and a Lock-Up/Leak-Out Agreement conditioned upon subsequent Board of Directors approval by the Company which was obtained on September 3, 2015. The Settlement Agreement provides for the Company to: (a) pay \$500,000 to HS (a portion of which will be paid by the Company's insurance carrier), and (b) issue shares valued at \$325,000 at a price of \$0.88 per share to be registered with the SEC within sixty (60) days of the issuance of the shares. Pursuant to the terms and conditions of the Lock-Up/Leak-Out Agreement, all shares will be restricted for six (6) months, unless registered sooner and upon registration or expiration of the six-month period, seller may sell up to 10,000 shares per day and 50,000 shares per week on a non-cumulative basis. The parties exchanged mutual releases and will dismiss all claims upon payment to HS. The settlement is a Type 1 subsequent event accordingly the Company's financial statements are restated to reflect the award on a retro-active basis.

Operating Leases

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The Company leases office and manufacturing facilities from unrelated parties under non-cancellable operating leases. The leases are typically five years. As of December 31, 2014, future minimum lease payments are as follows:

Year	Amount	
2015	\$	664,959
2016		646,287
2017		605,265
2018		598,398
2019		610,866
Thereafter		3,245,625
Total	\$	6,371,400

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 10 - STOCKHOLDERS EQUITY

Preferred Stock

The Company is authorized to issue up to 25,000,000 shares of preferred stock having a par value of \$0.001 per share.

During 2013 the Company issued 903,500 shares of its Series C preferred stock at \$10 per share for gross proceeds of \$9,035,000. Each share of Series C preferred stock was convertible into 10 shares of the Company's common stock and is subject to automatic conversion upon the Company's common stock trading at least \$2.18 per share for 60 consecutive calendar days. The Series C preferred stock provided for an 8% dividend if paid in cash or a 12% dividend if paid in shares of common stock. The Holder of the Series C preferred stock received common stock purchase warrants to purchase one share for every two shares of common stock issuable upon conversion of Series C Preferred Stock.

During 2012 the Company issued 283,052 shares of its Series B preferred stock at \$10 per share for proceeds of \$2,830,520. Each share of Series B preferred stock is convertible into 10 shares of the Company's common stock and was subject to automatic conversion upon the Company's common stock trading at least \$2.20 per share for 60 consecutive days. The Series B preferred stock provided for an 8% dividend if paid in cash or a 12% dividend if paid in shares of common stock. The Holder of the Series B preferred stock received common stock purchase warrants to purchase one share for every two shares of common stock issuable upon conversion of Series B Preferred Stock.

During the year ended December 31, 2014, 570,000 shares of the Series C preferred stock with the related accrued dividends were converted into 6,386,729 shares of common stock. During the year ended December 31, 2013, 129,250 shares of the Series A, 380,902 shares of the Series B and 333,500 shares of the Series C preferred stock with the related accrued dividends were converted into an aggregate of 9,631,853 shares of common stock. During the year ended December 31, 2012, 70,750 shares of the Series A preferred stock with the related accrued dividends were converted into 790,417 shares of common stock.

The Company has accrued a preferred dividend payable of \$-0-, \$403,690 and \$440,287 on the preferred stock as of December 31, 2014, 2013 and 2012, respectively.

The Warrants attached to the Series A, B and C preferred stock are substantially the same. Upon the exercise of a Class A Warrant for the \$3.00 Exercise Price, the Holder received one share of Common Stock and a Class B Common Stock Purchase Warrant (Class B Warrant) to purchase one share of Common Stock at \$6.00 per share, subject to redemption and/or temporary reduction by the Company.

The Class B Warrants shall be exercisable into shares of Common Stock at any time, or from time-to-time, up to and including 5:00 p.m. (Pacific Coast Time) on the third anniversary date from the date of the last issuance of the Class B Warrants, unless previously called or extended by the Company on thirty (30) days prior written notice; provided, however, if such date is not a Business Day, then on the Business Day immediately following such date. Upon the exercise of the Class B Warrant for the \$6.00 Exercise Price, the Holder shall receive one share of Common Stock and a Class C Common Stock Purchase Warrant (Class C Warrant) to purchase one share of Common Stock at \$12.00 per share, subject to redemption and/or temporary reduction by the Company.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 10 - STOCKHOLDERS EQUITY (continued)

The Class C Warrant shall be exercisable into shares of Common Stock at any time, or from time-to-time, up to and including 5:00 p.m. (Pacific Coast Time) on the third anniversary date from the date of the last issuance of the Class C Warrants, unless previously called or extended by the Company on thirty (30) days prior written notice; provided, however, if such date is not a Business Day, then on the Business Day immediately following such date. The Company will determine the value of the Class B Warrant when the Class A Warrants are exercised and the value of the Class C Warrant when the Class B Warrants are exercised. The Series A Warrants have all been exercised or expired as of December 31, 2014. There are 8,521,654 Series B Warrants outstanding as of December 31, 2014.

Common Stock

The Company is authorized to issue up to 500,000,000 shares of common stock having a par value of \$0.001 per share.

The Company issued 6,386,729 shares of its common stock upon the conversion of 570,000 shares of preferred stock and accrued dividends of \$1,907,273. The Company issued 1,750,000 shares of common stock to the CEO of BE Capital valued at \$4,602,500 as compensation and issued 3,729,604 shares of common stock for an equity interest in a battery manufacturing company valued at \$8,000,01. The Company issued 718,720 shares for consulting services valued at \$1,596,735 and 11,467,817 shares upon the exercise of warrants and options for cash of \$12,710,411. The Company issued 10,000,000 shares for cash of \$10,000,000.

During the year ended December 31, 2013 the Company issued 389,358 shares of its common stock upon the conversion of \$573,548 of debt. The Company issued 9,631,853 shares of its common stock upon the conversion of 843,652 shares of preferred stock and accrued dividends of \$3,225,047. The Company issued 64,263 shares of common stock for manufacturing equipment valued at \$195,359 and issued 20,578,211 shares of common stock for construction projects and energy storage and monitoring technologies. The Company issued 1,110,383 shares for consulting services valued at \$2,768,237 and 8,007,870 shares upon the exercise of warrants and options for cash of \$12,396,321 and notes receivable of \$1,600,000. The Company cancelled 92,115 common shares previously issued as consideration for a line of credit valued at \$298,453 and 366,529 common shares which were issued for rights to certain solar projects.

During the year ended December 31, 2012 the Company issued 1,220,501 shares of its common stock upon the conversion of \$1,464,313 of debt. The Company issued 790,417 shares of its common stock upon the conversion of 70,750 shares of preferred stock and accrued dividends of \$111,924. The Company issued 366,529 shares of common stock for certain solar project rights valued at \$486,650 and cancelled 75,000 shares of common stock for the termination of rights to technology valued at \$253,917. The Company issued 370,741 shares for consulting services valued at \$497,429 and 467,723 shares upon the exercise of warrants and options valued at \$128,611. The Company cancelled 84,180 common shares as consideration for the exercise of warrants and 877,364 common shares in exchange for a stock subscription receivable.

BLUE EARTH, INC. AND SUBSIDIARIES

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NOTE 10 - STOCKHOLDERS EQUITY (continued)

Incentive Stock Option and Warrant Grants to Consultants and Employees

2009 Equity Incentive Plan

During the year ended December 31, 2014, the Company granted 2,110,000 stock purchase options to its employees under its 2009 Incentive Stock Option Plan. The options have a 10 year exercise period (3 months upon termination of employment) and are exercisable at prices ranging from \$0.75 to \$3.10 per share.

During the year ended December 31, 2013 the Company granted 110,000 stock purchase options to its employees under its 2009 Equity Incentive Plan. The options have a 10 year exercise period (3 months upon termination of employment) and are exercisable at prices ranging from \$2.30 to \$2.90 per share.

During the year ended December 31, 2012 the Company granted 372,970 stock purchase options to its employees under its 2009 Equity Incentive Plan. The options have a 10 year exercise period and are exercisable at \$1.23 to \$1.72 per share.

As of December 31, 2014, 1,370,128 shares were remaining under the 2009 Plan for future issuance.

Stock Purchase Warrants

During the year ended December 31, 2014 the Company granted 300,000 stock purchase warrants to consultants. The warrants have a 10 year exercise period and are exercisable at prices ranging from \$0.01 to \$1.00 per share. The Company also changed 1,000,000 consultant stock purchase warrants to allow for a cashless conversion. The Company also issued 8,521,654 B warrants to the exercisers of the A warrants attached to the Series C preferred stock with an exercise period of 1 year and an exercise price \$6.00.

During the year ended December 31, 2013 the Company granted 10,500,000 stock purchase warrants to executive employees. The warrants have a 10 year exercise period and are exercisable at prices ranging from \$0.01 to \$2.15 per share. The Company also granted 3,850,000 stock purchase warrants to consultants. The warrants have a 1 to 10 year exercise period and are exercisable at prices ranging from \$0.01 to \$2.90 per share. The Company granted 430,902 stock purchase warrants to the placement agents of its Series C preferred stock. The warrants have a 5 year exercise period and are exercisable at \$1.75 per share. The Company also issued 4,292,500 A warrants to the purchasers of the Series C preferred stock with an exercise period of 3 years and an exercise price \$3.00. The Company also issued 4,029,154 B warrants to the exercisers of the A warrants attached to the Series A and B preferred stock with an exercise period of 1 year and an exercise price \$6.00.

During the year ended December 31, 2012 the Company granted 2,112,500 stock purchase warrants to a director (1,212,500) and executive employees (900,000). The warrants have a 5 to 10 year exercise period and are exercisable at \$0.01 to \$1.16 per share. The Company also granted 4,035,000 stock purchase warrants to consultants. The warrants have a 1 to 10 year exercise period and are exercisable at \$0.01 to \$1.39 per share. The Company also granted 146,750 stock purchase warrants to the placement agents on its Class B preferred stock. The warrants have a 5 year exercise period and are exercisable at \$1.75 per share. The Company also reset the exercise price for 3,597,500 options from \$1.00 to \$1.24 per share to \$0.01 per share. The Company also issued 1,415,260 A warrants to the purchasers of the Class B preferred stock with an exercise period of 1 year and an exercise price \$3.00.

BLUE EARTH, INC. AND SUBSIDIARIES

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(Restated)

NOTE 10 - STOCKHOLDERS EQUITY (continued)

The Company recorded compensation expense of \$5,771,459, \$14,408,741 and \$4,307,594 for the years ended December 31, 2014, 2013 and 2012, respectively, in connection with these stock warrants and options.

The Company estimates the fair value of share-based compensation utilizing the Black-Scholes option pricing model, which is dependent upon several variables such as the expected option term, expected volatility of our stock price over the expected option term, expected risk-free interest rate over the expected option term, expected dividend yield rate over the expected option term, and an estimate of expected forfeiture rates. The Company believes this valuation methodology is appropriate for estimating the fair value of stock options granted to employees and directors which are subject to ASC Topic 718 requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The Company recognizes compensation on a straight-line basis over the requisite service period for each award. The following table summarizes the assumptions the Company utilized to record compensation expense for stock warrants and options granted during the years ended December 31,

	2014	2013	2012
Expected term (years)	10.0	5.0 - 10.0	5.0-10.0
Expected volatility	91.55-100.65%	101.49-103.25%	94.45-116.86%
Weighted-average volatility	91.55-100.65%	101.49-103.25%	94.45-116.86%
Risk-free interest rate	2.07-3.99%	0.23-1.53%	0.23-1.53%
Dividend yield	0%	0%	0%
Expected forfeiture rate	0%	0%	0%

The expected life is computed using the simplified method, which is the average of the vesting term and the contractual term. The expected volatility is based on historical volatility. The risk-free interest rate is based on the U.S. Treasury yields with terms equivalent to the expected term of the related option at the time of the grant. Dividend yield is based on historical trends. While the Company believes these estimates are reasonable, the compensation expense recorded would increase if the expected life was increased, a higher expected volatility was used, or if the expected dividend yield increased.

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 10 - STOCKHOLDERS' EQUITY (continued)

A summary of the Company's stock option activity during the years ended December 31, 2014, 2013 and 2012 is presented below:

	No. of	Weighted	Weighted	Aggregate
	Options	Average	Average	Intrinsic
		Exercise	Contractual	Value
		Price	Term	
Balance Outstanding, December 31, 2011	607,791	\$ 1.63	9.8	\$ --
Granted	52,720	1.37	10	--
Granted	10,000	1.23	10	--
Granted	175,000	1.27	10	--
Granted	135,250	1.72	10	--
Exercised	(20,000)	0.90	9.8	--
Balance Outstanding, December 31, 2012	960,761	1.58	8.2	1,520,695
Granted	10,000	2.30	10	--
Granted	100,000	2.90	10	--
Expired	(52,720)	1.37	--	--
Exercised	(6,751)	1.57	--	--
Balance Outstanding, December 31, 2013	1,011,290	1.85	8.22	1,851,695
Granted	1,500,000	2.00	10	--
Granted	150,000	3.00	10	--
Granted	120,000	2.45	10	--
Granted	60,000	2.27	10	--
Granted	105,000	3.10	10	--
Granted	60,000	2.45	10	--
Granted	100,000	2.54	10	--
Granted	10,000	1.29	10	--
Granted	52,720	1.37	10	--
Granted	5,000	0.75	10	--
Expired	(492,119)	3.37	--	--

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Exercised	(85,024)		1.36	--	--
Balance Outstanding, December 31, 2014	2,596,867	\$	2.54	8.82	\$ 6,596,037
Exercisable, December 31, 2014	1,115,207	\$	1.87	8.37	\$ 2,087,017

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 10 - STOCKHOLDERS EQUITY (continued)

A summary of the Company's warrant activity during the years ended December 31, 2014, 2013 and 2012 is presented below:

	No. of	Weighted	Weighted	Aggregate
	Warrants	Average	Average	Remaining
		Exercise	Contractual	Intrinsic
		Price	Term	Value
Balance Outstanding, December 31, 2011	15,799,866	\$ 2.53	2.78	\$ 39,973,661
Granted	900,000	1.16	5.00	--
Granted	700,000	1.33	5.00	--
Granted	660,000	0.01	8.00	--
Granted	75,000	0.10	10.00	--
Granted	2,400,000	1.00	5.00	--
Granted	1,415,260	3.00	1.00	--
Granted	1,412,500	0.01	10.00	--
Granted	146,750	1.75	5.00	--
Forfeited	(3,495,000)	(1.96)	--	--
Exercised	(427,000)	(0.47)	--	--
Balance Outstanding, December 31, 2012	19,587,376	2.53	2.78	49,556,061
Granted	3,600,000	2.15	10.00	--
Granted	3,000,000	0.01	10.00	--
Granted	2,400,000	2.90	10.00	--
Granted	1,400,000	0.01	10.00	--
Granted	1,000,000	1.00	10.00	--
Granted	200,000	0.01	10.00	--
Granted	200,000	2.00	5.00	--
Granted	250,000	0.01	5.00	--
Granted	2,300,000	0.01	10.00	--
Granted	4,517,500	3.00	3.00	--
Granted	430,902	1.75	5.00	--

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Forfeited	(7,572,077)	(2.40)	--	--
Exercised	(8,653,033)	(1.60)	--	--
Balance Outstanding, December 31, 2013	22,660,668	1.90	6.52	43,055,269
Granted	200,000	0.00	10.00	--
Granted	100,000	1.00	10.00	--
Granted	8,521,654	6.00	3.00	--
Cancelled	(3,600,000)	(1.18)	--	--
Forfeited	(1,472,060)	(1.90)	--	--
Exercised	(9,778,344)	(1.60)	--	--
Balance Outstanding December 31, 2014	16,631,918	3.80	5.29	53,353,862
Exercisable, December 31, 2014	14,031,918	3.76	4.77	52,760,012

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 10 - STOCKHOLDERS EQUITY (continued)

The Company expects all non-contingent outstanding employee stock options to eventually vest. As of December 31, 2014, 2013 and 2012 there were total unrecognized compensation costs related to non-vested share-based compensation arrangements of \$7,996,692, \$17,597,601 and \$1,328,375, which is expected to be recognized over the respective vesting periods which extend through 2017.

NOTE 11 - INCOME TAXES

The Company files a consolidated U.S. income tax return. The amounts provided for income taxes are as follows for the years ended December 31:

	2014	2013	2012
Current (benefit) provision: federal	\$ --	\$ --	\$ --
Current (benefit) provision: state	--	--	--
Total current provision	--	--	--
Deferred (benefit) provision	--	--	--
Deferred (benefit) provision relating to			
reduction of valuation allowance	--	--	--
Total deferred provision	--	--	--
Total provision (benefit) for income taxes			
from continuing operations	\$ --	\$ --	\$ --

Significant items making up the deferred tax assets and deferred tax liabilities as of December 31 are as follows:

	2014	2013	2012
Deferred tax assets:			
Net operating loss carry forward	\$ 12,159,700	\$ 6,806,200	\$ 3,736,000

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Capital loss carryover	381,800	381,600	381,600
Allowance for doubtful accounts	1,162,300	39,600	24,600
Related party accruals	125,600	58,100	17,800
Accrued vacation	63,100	25,900	28,100
Impairment of discontinued operation	251,500	--	--
Accrual of litigation awards	1,029,200	--	--
Depreciation	43,600	43,600	35,800
Allowance for obsolete inventory	2,600	--	--
	15,219,400	7,355,000	4,223,900
Less: valuation allowance	(15,219,400)	(7,355,000)	(4,223,900)
Total deferred tax assets	--	--	--
Total deferred tax liabilities	--	--	--
Total net deferred tax assets (liabilities)	\$ --	\$ --	\$ --

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Restated)

NOTE 11 - INCOME TAXES (continued)

A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized. Accordingly, a valuation allowance was established in 2014, 2013 and 2012 for the full amount of our deferred tax assets due to the uncertainty of realization. Management believes that based upon its projection of future taxable operating income for the foreseeable future, it is more likely than not that the Company will not be able to realize the benefit of the deferred tax asset at December 31, 2014. The net changes in the valuation allowance during the year was an increase of \$7,864,400 in 2014, \$3,131,100 in 2013 and increase of \$1,796,800 in 2012.

At December 31, 2014, the Company had \$28,801,000 of net operating loss carry forwards which will expire in various years through 2034. Under the provision of the Tax Reform Act of 1986, when there has been a change in an entity's ownership of 50 percent or greater, utilization of net operating loss carry forwards may be limited. As a result of the Company's equity transactions, the Company's net operating losses may be subject to such limitations and may not be available to offset future income for tax purposes. Utilization of the net operating losses and credits may be subject to a substantial annual limitation due to the ownership change provisions of the Internal Revenue Code of 1986, as amended.

The annual limitation may result in the expiration of net operating losses and credits before utilization and in the event we have a change of ownership, utilization of the carry forwards could be restricted. The Company's effective income tax expense (benefit) differs from the statutory federal income tax rate of 34% as follows for the years ended December 31,:

	2014	2013	2012
Federal tax rate applied to loss			
before income taxes	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	3.5%	3.5%	3.5%
Permanent differences	(11.3)%	(0.9)%	(0.9)%
Change in valuation allowance	(22.6)%	(39.4)%	(39.4)%
Other	(3.6)%	2.8%	2.8%
Income tax expense (benefit)	0.0%	0.0%	0.0%

NOTE 12 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited in the local currency in three financial institutions in the United States. The balance, at any given time, may exceed Federal Deposit Insurance Corporation insurance limits. As of December 31, 2014, 2013 and 2012, there was \$2,139,038, \$7,214,159 and \$57,405, respectively, in excess of insurable limits.

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 13 - CONSTRUCTION IN PROGRESS*Construction in Progress-Short Term*

The short-term construction in progress represents costs accumulated on several solar and co-generation projects at various stages of completion. The construction in progress is classified as short-term because the projects are expected to be completed within one year. A summary of construction in progress-short term as of December 31, are as follows:

	2014	2013	2012
Materials and Labor	\$ --	\$ 2,044,150	\$ 376,386
Designs and Permitting	68,213	210,752	329,657
Total	\$ 68,213	\$ 2,254,902	\$ 706,043

The Company intends to sell the solar projects. The Company will charge to cost of sales the construction costs of the projects it sells.

Construction in Progress-Internal

The internal construction in progress represents the costs accumulated on 7 co-generation projects in the United States and Canada. The co-generation projects were purchased in the acquisition of BE CHP. The costs are classified as long-term because the projects are expected to take more than one year to complete.

A summary of construction in progress-long term as of December 31, are as follows:

	2014	2013	2012
Designs for co-generation projects	\$ --	\$ 44,035,500	\$ --
Total	\$ --	\$ 44,035,500	\$ --

The Company intends to hold the co-generation projects to generate revenues as an energy producer. The Company will depreciate the construction costs for the projects it does not sell over the 20 year term of the energy purchase contract upon commencement of revenues. The terms of the co-generation contracts provide that the Company will

sell electricity and steam to the meat processing plants connected to the co-generation plants and will sell the excess electricity to the electrical utility adjacent to the property. During 2014 the Company commenced construction of the projects accordingly the costs were reclassified to Property and Equipment.

The Company has begun construction of the first three co-generation projects. The remaining four co-generation projects are still in the pre-construction phase permitting, interconnect activities, site analysis, design engineering and procurement of equipment and therefore, while included in the initial seven projects, have not yet reached the point where there is sufficient information to execute power purchase agreements with the hosts. However, the hosts continue to honor the executed term sheets and remain highly interested in completing the original seven and other similar projects with the Company.

The term sheets with the hosts set general parameters for developing and constructing combined heat and power plants on land to be leased from the hosts. Under the term sheets, the Company would own the plant and sell the electric power and thermal energy generated from the plant to the host under energy purchase agreements which will be entered into once the pre-construction activities are completed. Pre-construction activities are progressing on these and other projects and the Company expects these activities to be completed in time to reach commercial operation dates for the projects in 2016 and 2017, with three anticipated to generate revenue in 2016 and two in 2017. The commercial operation dates have been postponed from those originally planned primarily because of delays in completing interconnect and power purchase agreements with the serving power utilities at the various sites. We are actively working on arrangements with the serving utilities and expect to be successful in reaching appropriate resolution. The Company continues regular conversations with the hosts regarding the initial seven projects and the hosts have continued to affirm their interest in building the projects under the terms of the previously executed term sheets. Recent discussions with the hosts have centered on further expanding the pool of projects to include smaller plants in addition to the initial seven.

BLUE EARTH, INC. AND SUBSIDIARIES

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NOTE 14 - RELATED PARTY TRANSACTIONS

Employment Contracts

On March 1, 2011, the Board of Directors of the Company amended the employment agreement of the CEO. His employment agreements dated September 1, 2010 was amended effective February 1, 2011, to increase his annual salary by \$75,000 from \$99,000 to \$174,000.

The Company's CEO was awarded five-year performance warrants to purchase 1,000,000 shares at an exercise price of \$1.25 per share. The warrants were to vest if and when the Company achieved certain revenues, net income and/or EBITDA milestones for four trailing quarters. In November 2012 the warrant exercise price was reduced to \$0.01 per share, the term of warrants were extended to 10 years and the vesting criteria was amended to remove the milestone criteria and to effectively vest immediately.

Stock Subscription Receivables

On June 17, 2008, two of BE Solar's former stockholders agreed to purchase the shares of another shareholder for \$2,486,850. Concurrent with this agreement, BE Solar agreed to issue a promissory note for the payment for the stock. The liability was recorded along with notes receivable from the purchasing stockholders. The notes receivable were assumed by the Company in the purchase of BE Solar and had no repayment terms, were non-interest bearing and were unsecured accordingly they were classified as stock subscription receivables. As of December 31, 2011, the receivables totaled \$2,632,192. During the year ended December 31, 2012 the Company received and cancelled 877,364 shares of its common stock as satisfaction of the stock subscription receivables. As of December 31, 2013 the Company had stock subscriptions receivable of \$1,600,000. During the year ended December 31, 2014 the Company collected the \$1,600,000 stock subscription receivables.

Related Party Payables

In connection with the purchase of BEEMS and BESolar, the Company entered into promissory notes to pay outstanding liabilities to the former shareholders. During the year ended December 31, 2013 the Company borrowed \$420,000 from and repaid \$691,853 to a director. During the year ended December 31, 2013 the Company issued

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238,480 shares of common stock in satisfaction of \$271,871 of related party debt. During the year ended December 31, 2012 the Company borrowed \$1,605,000 from a director. The notes payable are secured by certain of the Company's construction projects, due upon demand and bear interest at 12% per annum. A summary of the maturity of the related party payables is as follows:

Year	Amount of Principal	
	Payments Due	
2015	\$	1,333,147
2016		--
2017		--
2018		--
2019		--
Thereafter		--
Total	\$	1,333,147

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

NOTE 15 - ACCRUED EXPENSES

A summary of accrued expenses as of December 31, are as follows:

	2014	2013	2012
Sales Tax Payable	\$ 36,906	\$ --	\$ --
Credit Cards Payable	--	--	68,301
Accrued Interest Payable	297,902	188,419	42,725
Legal Settlements	2,437,618	--	--
Other	85,171	129,084	130,984
Total	\$ 2,857,597	\$ 317,503	\$ 245,010

NOTE 16 - LONG TERM DEBT**Credit Line Payable**

During the year ended December 31, 2014, the Company repaid the \$1,500,000 line of credit. The balance at December 31, 2014 was 0.

During the year ended December 31, 2013, the Company received \$3,000,000 in proceeds from a line of credit. The Company repaid the line \$1,500,000 during the year ended December 31, 2013. The line of credit is for up to \$10,000,000 subject to approval of the use of proceeds by the lender. The line of credit accrues interest at 12% per annum and is secured by certain of the Company's assets.

Promissory Notes Payable

The Company assumed promissory notes payable in connection with the purchase of BE Solar. Additionally, in connection with the purchase of BEEMS the Company entered into promissory notes to pay outstanding liabilities to the former shareholders.

During the year ended December 31, 2012 the Company issued 1,185,389 shares of its common stock upon the conversion of \$1,391,188 of debt. During the year ended December 31, 2012 the Company received \$1,208,008 from subordinated promissory notes payable. The notes accrued interest at 10% per annum, were unsecured and were due from 6 months to 5 years from the date of issuance. During the year ended December 31, 2012 the Company borrowed \$1,605,000 from a director. The notes payable are secured by certain of the Company's construction projects, due upon demand and bear interest at 12% per annum. The Company repaid \$776,481 of promissory notes payable during the years ended December 31, 2012.

During the year ended December 31, 2013 the Company issued 238,480 shares of common stock in satisfaction of \$271,871 of related party debt. During the year ended December 31, 2013 the Company borrowed \$420,000 from and repaid \$691,853 to a director. The Company had only related party promissory notes payable as of December 31, 2013 of \$1,333,147.

During the year ended December 31, 2014 the Company received \$209,784 of short term notes payable proceeds to finance its insurance premiums and operations. The Company owes \$110,653 in short term promissory notes and 1,333,147 in related party promissory notes payable as of December 31, 2014.

NOTE 17 - ACQUISITION OF SUBSIDIARIES

Blue Earth CHP, Inc. (fka IPS Power Engineering, Inc.)

As of July 15, 2013, the Company, together with its wholly-owned subsidiary IPS Acquisition Corp., simultaneously entered into and completed an Agreement and Plan of Merger (the "Agreement") dated as of July 15, 2013, with IPS Power Engineering Inc. ("IPS") (n/k/a Blue Earth CHP, Inc.), Global Renewable Energy Group, Inc. ("GREG") and the Stockholders of IPS and GREG (the "Acquisitions"). IPS is an EPCM company (engineering, procurement, construction and management) and GREG is an affiliated renewable energy company, which companies specialize in the combined heat and power ("CHP") alternative energy space.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Restated)

NOTE 17 - ACQUISITION OF SUBSIDIARIES (continued)

The Company plans to build seven power plants and sell the thermal and electric power generated to one large customer and to local utilities through long-term power purchase agreements. 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 consists 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 a finder's 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 per Initial Project (as defined) on the date that each of the Initial Projects or substituted similar value as mutually agreed to by Blue Earth and IPS, commences producing commercial power. The 10,500,000 Blue Earth shares will be released, pro rata, from escrow upon the commercial operation date of each Initial Project, however, subject to the terms and conditions of the Lock-Up Agreements. At the Closing the Stockholders exchanged 100% of the outstanding shares of IPS and GREG for the Merger Consideration. Through the Agreement, IPS Acquisition Corp. and GREG merged with and into IPS, with IPS as the surviving entity, in accordance with the Utah Revised Business Corporation Act. IPS will be operated as a wholly-owned subsidiary of the Company.

The purchase resulted in a construction in progress asset of \$44,029,229. The reason for the purchase was to expand the Company's energy efficiency operations. According to the purchase method of accounting, the acquisition was recorded as follows:

Purchase Price	Shares	Price	Total
IPS Power Engineering, Inc. and			
Global Renewal Energy Group, Inc.	15,500,000	\$ 2.84	\$ 44,035,500
Assets at Fair Value			
Cash			\$ 2,733
Accounts receivable			2,500
Prepaid expenses			665
Property and equipment			3,725
Construction in progress			44,029,229
Total Assets			\$ 44,038,852

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Liabilities Assumed at Fair Value	
Accounts payable and accrued expenses	\$ 3,352
Equity	\$ 44,035,500
Total Liabilities and Equity	\$ 44,038,852

The Company has recognized revenues of \$11,444 for the year ended December 31, 2013 for IPS and GREG. The Company has recognized a net loss \$319,931 for the year ended December 31, 2013 for IPS and GREG.

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 17 - ACQUISITION OF SUBSIDIARIES (continued)*Blue Earth Peak Power Solutions, Inc. (fka Intelligent Power, Inc.)*

As of July 24, 2013 the Company, together with its wholly-owned subsidiary Intelligent Power Acquisition, Inc. simultaneously entered into and completed an Agreement and Plan of Merger (the Agreement), with Intelligent Power, Inc. (IP) (nka Blue Earth Peak Power Solutions, Inc.), and the Stockholders of IP (the Acquisition). IP owns patented demand response, cloud based, real-time energy management technology. Pursuant to the terms of the Agreement, an aggregate of 1,383,400 shares of the Company's Common Stock (the Merger Consideration) was issued to the former stockholders of IP (the Stockholders). At the Closing the Stockholders exchanged 100% of the outstanding shares of IP for the Merger Consideration. Through the Agreement, Intelligent Power Acquisition, Inc. merged with and into IP, with IP as the surviving entity, in accordance with the Oregon Business Corporations Act. IP will be operated as a wholly-owned subsidiary of the Company.

The purchase resulted in a patent and technology asset of \$4,147,832. The reason for the purchase was to expand the Company's energy efficiency operations. According to the purchase method of accounting, the acquisition was recorded as follows:

Purchase Price	Shares	Price	Total
Intelligent Power, Inc.	1,383,400	\$ 2.88	\$ 3,984,192
Assets at Fair Value			
Cash			\$ 911
Prepaid expenses			2,000
Property and equipment			3,464
Patent costs			48,442
Technology			4,147,832
Total Assets			\$ 4,202,649
Liabilities Assumed at Fair Value			
Accounts payable			\$ 14,600

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Accrued liabilities		203,857
Total Liabilities	\$	218,457
Equity	\$	3,984,192
Total Liabilities and Equity	\$	4,202,649

The Company has recognized revenues of \$-0- for the year ended December 31, 2013 for IP. The Company has recognized a net loss \$556,775 for the year ended December 31, 2013 for IP.

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 17 - ACQUISITION OF SUBSIDIARIES (continued)*Blue Earth Energy Power Solutions, LLC (fka Millennium Power Solutions, LLC)*

As of August 23, 2013, the Company, together with its wholly-owned subsidiary MPS Acquisition Corp., simultaneously entered into and completed an Agreement and Plan of Merger (the Agreement) Millennium Power Solutions LLC (MPS) (n/k/a Blue Earth Energy Power Solutions, LLC) and the Key Members of MPS (the Acquisition). MPS designs and manufactures intelligent, digital, rechargeable battery products and backup systems with twice the energy of lead acid batteries in a smaller space. The environmentally friendly product is completely recyclable with no issues of hazardous out-gassing, corrosion, flammable or explosive characteristics. The initial, patent pending, intelligent Battery Backup System designed and manufactured by MPS was created for signalized intersections when loss of utility power occurs. The UltraPower Stealth Battery Backup System (UPStealth™) 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. Pursuant to the terms of the Agreement, an aggregate of 3,694,811 shares of the Company's common stock (the Merger Consideration) was issued to the former members of MPS (the Members). In addition, the principals of MPS are entitled to receive a per-year earn-out equal to ten (10%) percent of the profits of MPS as a separate wholly-owned subsidiary of the Company payable in shares of the Company's common stock valued at the then current fair market value. The earn-out is limited to a five year period and has an aggregate cap of \$3,572,199. At the closing the stockholders exchanged 100% of the outstanding membership interests of MPS for the Merger Consideration. Through the Agreement, MPS Acquisition Corp. was merged with and into MPS, with MPS as the surviving entity, in accordance with the Oregon Business Corporations Act.

Purchase Price	Shares	Price	Total
Millennium Power Solutions, LLC	3,694,811	\$ 2.95	\$ 10,899,692
Assets at Fair Value			
Cash			\$ 531,460
Receivables			35,019
Inventory			113,138
Property and equipment			203,756
Battery technology			10,039,872
Total Assets			\$ 10,923,245
Liabilities Assumed at Fair Value			

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Accounts payable	\$	21,894
Accrued liabilities		1,659
Total Liabilities	\$	23,553
Equity	\$	10,899,692
Total Liabilities and Equity	\$	10,923,245

The Company has recognized revenues of \$107,253 for the year ended December 31, 2013 for MPS. The Company has recognized a net loss \$236,014 for the year ended December 31, 2013 for MPS.

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 17 - ACQUISITION OF SUBSIDIARIES (continued)

The table below presents, on a retroactive basis the condensed consolidated statements of operations for the periods presented to include the operations of BECHP, BEPPS and BEEPS. In the above referenced acquisitions BECHP, BEPPS, and BEEPS were not considered the predecessor for accounting purposes. The pro forma condensed consolidated statements of operations are presented below for comparative purposes and to provide additional information and disclosure.

Pro forma Condensed Consolidated Statement of Operations

	December 31,
	2013
Revenues	\$ 10,466,736
Net Loss	\$ (26,615,595)

NOTE 18 - OPERATING SEGMENTS

Operating segments are defined as components of an enterprise about which separate and discreet financial information is available and is evaluated regularly by the chief operating decision-maker in assessing performance and determining how to best allocate Company resources. The Company's chief operating decision makers direct the allocation of resources to operating segments based on the profitability and cash flows of each respective segment.

The Company has two principal operating segments: (1) construction and maintenance of alternative energy facilities and (2) energy efficiency remediation. These operating segments were delineated based on the nature of the products and services offered.

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 18 - OPERATING SEGMENTS (continued)

The Company evaluates the financial performance of the respective segments based on several factors, of which the primary measure is business segment income before taxes. The accounting policies of the business segments are the same as those described in Note 2: Significant Accounting Policies. All significant intercompany transactions and balances have been eliminated. The following tables show the operations of the Company's reportable segments for the years ended December 31, 2014, 2013 and 2012:

	Energy	Construction and		
	Efficiency	Maintenance	Corporate	Consolidated
<u>December 31, 2014</u>				
Revenues	\$ 904,124	\$ 11,566,594	\$ --	\$ 12,470,718
Cost of sales	663,470	11,325,809	--	11,989,279
Operating expenses	4,169,369	10,727,288	13,914,107	28,810,764
Other income (expense)	150,196	218,888	(1,021,146)	(652,062)
Net income (loss)	\$ (3,778,519)	\$ (10,267,615)	\$ (14,935,253)	\$ (28,981,387)
Total assets	\$ 2,082,933	\$ 81,598,027	\$ 18,462,786	\$ 102,143,746

	Energy	Construction and		
	Efficiency	Maintenance	Corporate	Consolidated
<u>December 31, 2013</u>				
Revenues	\$ 107,253	\$ 6,831,551	\$ --	\$ 6,938,804
Cost of sales	93,961	5,608,113	--	5,702,074
Operating expenses	895,012	3,383,608	20,944,718	25,223,338
Other income (expense)	(181)	(1,697)	113,346	111,468
Net income (loss)	\$ (881,901)	\$ (2,161,867)	\$ (20,831,372)	\$ (23,875,140)
Total assets	\$ 256,929	\$ 6,982,074	\$ 79,191,764	\$ 86,430,767

	Energy	Construction and		
	Efficiency	Maintenance	Corporate	Consolidated
<u>December 31, 2012</u>				
Revenues	\$ --	\$ 5,009,500	\$ --	\$ 5,009,500
Cost of sales	--	3,800,141	--	3,800,141
Operating expenses	--	2,832,357	8,177,226	11,009,583

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Other income (expense)	--	(22,760)	1,739,609	1,716,849
Net income (loss)	\$ --	\$ (1,645,758)	\$ (6,437,617)	\$ (8,083,375)
Total assets	\$ --	\$ 3,713,170	\$ 11,233,776	\$ 14,946,946

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 19 - DISCONTINUED OPERATIONS

On January 24, 2014, the Company entered into an Acquisition Agreement (the Agreement). Pursuant to the Agreement, the buyers purchased from the Company, all of the issued and outstanding common stock of HVAC Controls Specialties, Inc. (HVAC), its wholly-owned subsidiary. The purchase price for HVAC was \$160,000 to be paid as follows: \$40,000 for the release of accrued compensation, \$30,000 for the assumption of the debts of HVAC and \$90,000 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 HVAC as discontinued.

Revenues of the discontinued operations were \$2,252,245 and \$1,499,108 during the years ended December 31, 2013 and 2012, respectively.

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.

The following is a summary of the transactions:

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Sales Price	\$ 790,771
Inventory	(105,612)
Intangible assets	(245,825)
Commission paid	(40,250)
Vehicles net book value	(38,082)
Gain on sale of website and service and installation division	361,002
Impairment of net assets of BEEMS	(956,618)
Loss on Disposal of Discontinued Operations	\$ (595,616)

Revenues of the discontinued operations were \$5,790,042, \$3,366,037 and \$3,444,821 during the years ended December 31, 2014, 2013 and 2012, respectively.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Restated)

NOTE 20 - INVESTMENT IN EQUITY SUBSIDIARY

On October 30, 2014, the Company closed on an agreement to acquire shares of PowerGenix equity for \$10 million payable through a combination of cash (\$2 million) and Company restricted common shares (3,729,604) valued at \$2.145 per share. 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. The Company's ownership of Series C Preferred Stock constitutes 24.4% of the equity of PowerGenix.

The Company has been granted exclusive marketing rights to use the proprietary PowerGenix Nickel-Zinc (NiZn) batteries to produce intelligent digital NiZn energy storage systems using the Company's proprietary intellectual property for a number of 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.

During the three months ended December 31, 2014, PowerGenix realized a net loss of \$1,104,887. Accordingly the Company recognized 24.4% of the net loss in the amount of \$269,592.

Summarized financial information as of December 31, 2014 and for the three months then ended of PowerGenix is presented as follows:

Total Assets	\$ 6,216,892
Total Liabilities	\$ 4,364,637
Net Loss	\$ 1,104,887

NOTE 21 - RESTATED FINANCIAL STATEMENTS

The Company filed an Amended Form 10-K/A No. 2 in October 2015 to restate its financial statements 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. The restated financial statements reflected an accrual of \$2,437,618 of losses associated with the settlement of litigation subsequent to December 31, 2014 on a retroactive basis as of and for the year ended December 31, 2014. The restated financial also reflect the reclassification of the assets, liabilities and operations of BEEMS to discontinued operations.

The Company is filing this amendment 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 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.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 21 - RESTATED FINANCIAL STATEMENTS (continued)

The Company is restating its financial statements to classify the KSC acquisition cost to employee compensation in 2014. The restated financial statements reflect an increase of \$4,602,500 of compensation expense in general and administrative costs, a decrease of \$1,406,319 in amortization costs, removal of the \$4,602,500 of intangible assets and \$1,406,319 of the associated accumulated amortization.

The restated financial statements include the cumulative effect of the October 2015 restatement and the errors corrected in February 2016.

The following table presents a summarized comparison of the original consolidated balance sheets to the restated balance sheets:

BLUE EARTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

ASSETS

	December 31, 2014 Restated	December 31, 2014 Original	December 31, 2013 Restated	December 31, 2013 Original
CURRENT ASSETS	\$ 11,362,284	\$ 11,362,284	\$ 20,608,492	\$ 21,414,290
PROPERTY AND EQUIPMENT, net	56,815,626	56,815,626	828,311	858,212
OTHER ASSETS	29,548,024	32,744,205	62,843,560	63,906,772
ASSETS OF DISCONTINUED OPERATIONS	1,221,631	-	2,150,404	251,492
TOTAL ASSETS	\$ 98,947,565	\$ 102,143,746	\$ 86,430,767	\$ 86,430,766

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	\$ 8,413,959	\$ 8,413,959	\$ 6,513,265	\$ 6,902,138
LIABILITIES OF DISCONTINUED OPERATIONS	354,665	354,665	579,483	190,609
Total Current Liabilities	8,768,624	8,768,624	7,092,748	7,092,747
Total Liabilities	8,768,624	8,768,624	7,092,748	7,092,747
STOCKHOLDERS' EQUITY				

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Preferred stock; 25,000,000 shares authorized at \$0.001 par value, -0- and 570,000 shares issued and outstanding, respectively	-	-	570	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	94,259	60,206	60,206
Additional paid-in capital	188,159,932	188,159,932	143,605,036	143,605,036
Stock subscription receivable	-	-	(1,600,000)	(1,600,000)
Accumulated deficit	(98,075,250)	(94,879,069)	(62,727,793)	(62,727,793)
Total Stockholders' Equity	90,178,941	93,375,122	79,338,019	79,338,019
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 98,947,565	\$ 102,143,746	\$ 86,430,767	\$ 86,430,766

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BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 21 - RESTATED FINANCIAL STATEMENTS (continued)

The following table presents a summarized comparison of the original consolidated statements of operations to the restated statements of operations:

BLUE EARTH, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

For the Year Ended

December 31,

	2014 (restated)	2014 (original)	2013 (restated)	2013 (original)	2012 (restated)	2012 (original)
REVENUES	\$ 12,470,718	\$ 18,260,758	\$ 6,938,804	\$ 10,305,736	\$ 5,009,500	\$ 8,466,965
COST OF SALES	11,989,279	14,085,538	5,702,074	7,166,464	3,800,141	5,609,836
GROSS PROFIT	481,439	4,175,220	1,236,730	3,139,272	1,209,359	2,857,129
OPERATING EXPENSES	32,006,945	31,109,358	25,223,338	28,497,962	11,009,583	14,167,889
LOSS FROM OPERATIONS	(31,525,506)	(26,934,138)	(23,986,608)	(25,358,690)	(9,800,224)	(11,310,760)
OTHER INCOME (EXPENSE)	(652,062)	(680,321)	111,468	81,546	1,716,849	1,670,182
LOSS BEFORE INCOME TAXES	(32,177,568)	(27,614,459)	(23,875,140)	(25,277,153)	(8,083,375)	(9,640,578)
INCOME TAX EXPENSE	-	-	-	-	-	-
LOSS FROM CONTINUING OPERATIONS	(32,177,568)	(27,614,459)	(23,875,140)	(25,277,153)	(8,083,375)	(9,640,578)
LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS	(595,616)	-	-	-	-	-
LOSS FROM DISCONTINUED OPERATIONS	(1,070,691)	-	(1,598,254)	(196,241)	(1,523,759)	33,444
NET LOSS	(33,843,875)	(27,614,459)	(25,473,394)	(25,473,394)	(9,607,134)	(9,607,134)
PREFERRED DIVIDENDS	(1,503,582)	(1,503,582)	(3,188,450)	(3,188,450)	(545,020)	(545,020)

NET LOSS						
ATTRIBUTABLE TO						
COMMON						
SHAREHOLDERS	\$ (35,347,457)	\$ (29,118,041)	\$ (28,661,844)	\$ (28,661,844)	\$ (10,152,154)	\$ (10,152,154)
BASIC AND DILUTED						
LOSS PER SHARE						
Continuing Operations	\$ (0.46)	\$ (0.40)	\$ (0.74)	\$ (0.78)	\$ (0.46)	\$ (0.54)
Discontinued Operations	(0.02)	-	(0.05)	(0.01)	(0.08)	0.00
Net Loss Per Share	\$ (0.488)	\$ (0.40)	\$ (0.79)	\$ (0.79)	\$ (0.54)	\$ (0.54)
WEIGHTED AVERAGE						
NUMBER OF COMMON						
SHARES						
OUTSTANDING BASIC						
AND DILUTED	72,470,054	72,470,054	36,463,197	36,463,197	18,961,099	18,961,099

NOTE 22 - SUBSEQUENT EVENTSCommon Stock Transactions

On January 2, 2015, the Company issued 10,000 shares of its common stock to consultants for services valued at \$1.16 per share. As of January 27, 2015 the Company issued 63,887 shares of common to Donald R. Kendall, Jr. for services valued at \$1.30 per share.

BLUE EARTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014, 2013 and 2012

(Restated)

NOTE 22 - SUBSEQUENT EVENTS (continued)

Issuance of Debt

On March 10, 2015 the Company entered into a Note and Warrant Agreement whereby the Company issued a Senior Secured Convertible Note for \$10,000,000. The agreement granted the borrower a warrant to purchase 2,000,000 shares of the Company's common stock and an option to purchase up to 10,000,000 shares of the Company's common stock. The Note is due in full on September 10, 2015 with accrued interest at 12% per annum. The Note is convertible at the holders' option to shares of the Company's common stock at the rate of \$1.02 per share, as amended. In case of default the conversion price becomes 112% of the principle and interest due. Interest on the Note may be paid in cash or shares of the Company's common stock. The warrant attached to the Note allows the holder to purchase 2,000,000 shares of the Company's common stock at \$1.02 per share, as amended. The option attached to the Note allows the holder to purchase 10,000,000 shares of the Company's common stock at \$1.02, per share, as amended, for 6 months after the satisfaction of the Note. The options are reduced by the amount of the Note converted to equity by the holder prior to the repayment of the Note. The Note is secured by all of the capital stock and assets of the Company and its subsidiaries (which have also guaranteed payment of the Note), except for the Sumter Heat and Power CHP plant and the Melga Solar project.

Credit Line Payable

On February 24, 2015, the Company borrowed \$3,000,000 on the line of credit. The line of credit is for up to \$4,000,000 subject to approval of the use of proceeds by the lender. The line of credit accrues interest at 12% per annum and is secured by the Company's Sumter Heat and Power CHP plant and the Melga solar project. The Company received net proceeds of \$2,911,700 after closing costs. The Company has issued 400,000 shares of Class D convertible preferred stock as tertiary collateral for the line of credit. The \$88,300 of fees withheld from the proceeds of the line of credit are included in prepaid expenses and will be amortized over the term of the line of credit.

In accordance with ASC 855, the Company evaluated subsequent events through the date these financial statements were issued. There were no additional material subsequent events that required recognition or additional disclosure in these financial statements.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

Exhibit

No.	Description
2.1	Agreement and Plan of Merger, dated as of October 30, 2009, by and among Genesis Fluid Solutions Holdings, Inc., Genesis Fluid Solutions, Ltd. and Genesis Fluid Solutions Acquisition Corp.(1)
2.2	Certificate of Merger, dated October 30, 2009 merging Genesis Fluid Solutions Acquisition Corp. with and into Genesis Fluid Solutions, Ltd.(1)
2.3	Plan of Merger for Genesis Solutions Holdings, Inc. into Blue Earth, Inc.(6)
2.4	Asset Purchase Agreement effective January 1, 2011, by and among Castrovilla Energy Inc., Blue Earth Inc. and Humitech of Northern California, LLC(8)
2.5	Agreement and Plan of Merger by and among Castrovilla Energy, Inc., Blue Earth, Inc. and the Stockholders of Castrovilla Inc.(7)
2.6	Agreement and Plan of Merger by and between the Company and IPS Power Engineering Inc. dated as of July 15, 2013. (23)(29)
2.7	Agreement and Plan of Merger by and between the Company and Intelligent Power dated as of July 23, 2013.(24)(29)
2.8	Agreement and Plan of Merger dated as of August 23, 2013 by and between the Company and Millennium Power Solutions LLC. (25)(29)
3.1	Articles of Incorporation(15)
3.2	Certificate of Amendment to Articles of Incorporation filed on July 18, 2014 (39)
3.3	By-laws(5)
3.4	Certificate of Designations and Preferences for Series A Convertible Preferred Stock (9)
3.5	Certificate of Designation and Preferences for Series B Convertible Preferred Stock (15)
3.6	Certificate of Designation and Preferences for Series C Convertible Preferred Stock (28)
3.7	Certificate of Designation of the Rights, Preferences, Privileges and Restrictions of Series D Convertible Preferred Stock (43)
4.1	Specimen Stock Certificate(11)
4.2	Form of Performance Warrant(14)
4.3	Form of Trust Indenture (43)
10.1	Form of Directors and Officers Indemnification Agreement(1)
10.2	Blue Earth, Inc. 2009 Equity Incentive Plan(8)
10.3	Form of 2009 Incentive Stock Option Agreement(1)
10.4	Form of 2009 Non-Qualified Stock Option Agreement(1)
10.5	Employment Agreement, effective as of September 1, 2010 by and between Genesis Fluid Solutions Holdings, Inc. and Dr. Thomas.(6)
10.6	Employment Agreement, effective as of September 1, 2010 by and between Genesis Fluid Solutions Holdings, Inc. and Mr. Francis.(6)
10.7	Form of Series C Funding Warrant dated December 31, 2010.(11)
10.8	Form of Class B Funding Warrant.(11)
10.9	Form of Management Warrant issued to Johnny R. Thomas and John C. Francis designees.(11)

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- 10.10 Amendment to Consulting Agreement dated as of December 21, 2010 by and between Blue Earth, Inc. and Liviakis Financial Communications, Inc. (11)
- 10.11 Warrant issued to Laird Cagan dated February 24, 2011. (11)
- 10.12 Consulting Agreement dated February 24, 2011 by and between Cagan MacAfee Capital Partners, LLC and Blue Earth, Inc. (11)

Exhibit

No.	Description
10.13	Employment Agreement, dated as of January 1, 2011 by and between Castrovilla Inc. and John Pink. (7)
10.14	Form of Series C Warrant issued in 2011 Preferred Stock Offering (9)
10.15	Finance Agreement, dated as of December 19, 2011, by and between Blue Earth, Inc. and US Energy Affiliates, Inc.(10)
10.16	Capital Stock Purchase and Lease Agreement.(13)
10.17	Promissory Note, issued by the Company to Jeff Gosselin, in the principal amount of \$1,357,358.41.(13)
10.18	Mutual Hold Harmless and Indemnification Agreement.(13)
10.19	Secured Promissory Note dated October 30, 2012 to Laird Q. Cagan.(17)
10.20	Independent Consulting Agreement dated November 6, 2012 by and between Blue Earth, Inc. and Laird Cagan.(18)
10.21	Secured Promissory Note dated December 12, 2012 from the Company to Laird Cagan.(20)
10.22	Security Agreement dated as of December 12, 2012 from Blue Earth to Laird Cagan.(20)
10.23	Common Stock Purchase Warrant dated as of December 12, 2012 from Blue Earth to Laird Cagan. (20)
10.24	Credit Facility Agreement, dated as of January 31, 2013 and effective February 22, 2013, by and among the Company, the Lender and the Subsidiaries.(21)
10.25	Revolving Line of Credit Note, issued by the Company and the Subsidiaries to the Lender, issued as of January 31, 2013 and effective February 22, 2013.(21)
10.26	Strategic Agreement dated as of August 30, 2013, by and among the Company and New Generation Power LLC & Telesun Solar U.S.A., Ltd. (26)(30)(35)
10.27	Notice of Redemption (27)
10.28	Form of Series C Preferred Stock Subscription Agreement (28)
10.29	Form of Class A Warrant issued in connection with Series C Preferred Stock Offering (28)
10.30	Lease dated December 20, 2011 by and between the Company & CJ3, LLC for BE Solar office
10.31	Blocking Amendment dated June 20, 2013 by and between the Company and David Lies
10.32	Promissory Note dated as of October 30, 2013 from David Lies to the Company
10.33	Pledge Agreement dated as of October 30, 2013 from David Lies to the Company
10.34	Amended Strategic Agreement dated as of October 10, 2013 by and among New Generation Power, LLC, Blue Earth, Inc. and Talesun Solar USA, Ltd. (30)(35)
10.35	Promissory Note dated February 22, 2013 from Blue Earth , Inc. to Laird Q. Cagan
10.36	Employment Agreement dated January 31, 2014 by and between Blue, Earth, Inc. and Donald R. Kendall, Jr. (32)
10.37	Equity Exchange Agreement dated January 31, 2014 by and among Blue Earth, Inc., Kenmont Solutions Capital GP, LLC and Donald R. Kendall, Jr. (32)
10.38	Sale of Goodwill Agreement dated as of January 31, 2014 by and between Blue Earth, Inc. and Donald R. Kendall, Jr. (32)
10.39	Independent Consulting Agreement, effective as of November 15, 2011, by and between the Company and Remanco, Inc. (33)
10.40	Amendment dated October 17, 2013 to Independent Consulting Agreement between the Company and Remanco (33)
10.41	Warrant dated October 12, 2013 issued to David Lies (34)
10.42	Consulting Agreement dated February 17, 2014 by and among Blue Earth,Inc., Jason Davis and Joey Patalano (30)(34)
10.43	Amended and Restated Employment Agreement between Blue Earth and Robert Potts dated April 21, 2014 (36)

Exhibit

No.	Description
10.44	Amended and Restated Employment Agreement between Blue Earth and Brett Woodard dated April 21,2014 (36)
10.45	Amended and Restated Employment Agreement between Blue Earth and Ray Lundberg dated April 21, 2014 (36)
10.46	Amended and Restated Consulting Agreement dated April 21, 2014 by and between Blue Earth, Inc. and Broadway Family Group LLC (36)
10.47	Amended and Restated Consulting Agreement by and etween Blue Earth,Inc. and Green Planet Consultants LLC (36)
10.48	Asset Purchase Agreement dated April 4, 2014 by and among SSA Solar of HI, LLC and Waianae PV-02, LLC. (37)
10.49	Asset Purchase Agreement dated July 28, 2014, by and among Lenape II Solar LLC and New Generation Power, LLC and NGP Lenape Solar II, LLC and Addendum Agreement. (39)
10.50	Board of Director Agreement between Blue Earth, Inc. and Alan P. Krusi dated August 25, 2014. (40)
10.51	PowerGenix Systems Inc. Series C Preferred Stock Purchase Agreement dated October 27, 2014. (41)
10.52	Equity Exchange Agreement dated as of October 27, 2014 by and between Blue Earth and PowerGenix Systems Inc. (42)
10.53	Second Amendment to Credit Agreement, dated as of February 24, 2015 by and among the Company, the Lender and the Subsidiaries (43)
10.54	Replacement, Amended and Restated Promissory Note, issued by the Company and the Subsidiaries to the Lender, issued as of February 24, 2015 (43)
16.1	Letter from Davis Accounting Group P.C. (12)
21.1	List of Subsidiaries (31)
*23.1	Consent of HJ & Associates, LLC.
*31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certificate of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley of 2002.
*32.2	Certificate of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(21)
101INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this Report

(1) Incorporated herein by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K filed on November 5, 2009, as amended on November 16, 2009 and December 14, 2009.

(2) Incorporated herein by reference to the copy of such document included as Exhibit 10.1 to our Current Report on Form 8-K filed on December 21, 2009.

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(3) Incorporated herein by reference to the copy of such documents included as Exhibit 10.1 and Exhibit 10.2 to our Current Report on Form 8-K filed on December 24, 2009.

(4) Incorporated herein by reference to the copy of such document included as an exhibit to our Annual Report on Form 10-K filed on April 15, 2010.

(5) Incorporated by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K filed on October 29, 2010.

(6) Incorporated herein by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K filed on August 31, 2010

(7) Incorporated herein by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K filed on January 24, 2011

(8) Incorporated herein by reference to the copy of such document included as an exhibit to our Annual Report on Form 10-K filed on March 31, 2011

(9) Incorporated herein by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K/A filed on September 29, 2011

(10) Incorporated herein by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K filed on December 23, 2011

(11) Incorporated by reference to the copy of such document included as an exhibit to our Current Report on Form 10-K for March 31, 2010 filed on March 31, 2010

(12) Incorporated herein by reference to the copy of such document included as Exhibit 16.1 to our Current Report on Form 8-K filed on January 28, 2010.

(13) Incorporated herein by reference to the copy of such document included as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2011 filed on April 16, 2012.

(14) Incorporated by reference herein to the copy of such document filed as an exhibit to or Registration Statement on Form S-8 filed on April 27, 2012.

(15) Incorporated by reference to the copy of such document included as Exhibit 3.1 to our Current Report on Form 8-K filed on April 10, 2012.

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(16) Incorporated by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K filed on August 1, 2012.

(17) Incorporated by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K filed on November 2, 2012.

(18) Incorporated by reference to the copy of such document included as an exhibit to our Quarterly Report on Form 10-Q filed on November 13, 2012.

(19) INTENTIONALLY OMITTED

(20) Incorporated herein by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K/A Amendment NO. 1 filed on December 20, 2012.

(21) Incorporated herein by reference to the copy of such document included as an exhibit to our Current Report on Form 8-K filed on February 28, 2013.

(22) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for May 16, 2013 filed on May 22, 2013.

(23) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for July 15 2013 filed on July 19, 2013.

(24) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for July 24, 2013, filed on July 29, 2013.

(25) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for August 23, 2013, filed on August 29, 2013.

(26) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for August 30, 2013, filed on September 5, 2013.

(27) Incorporated by reference to the copy of such document included as an Exhibit to a Current Report on Form 8-K for October 7, 2013, filed on October 7, 2013.

(28) Incorporated by reference to the copy of such document included as an exhibit to Amendment No. 1 to a Current Report on Form 8-K for July 3, 2013, filed on January 9, 2014.

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(29) The schedules to this exhibit have not been filed with this registration statement as they contain due diligence information which the Registrant does not believe is material to an investment decision and which is otherwise described in the Issuer's SEC filings. Summaries of the information have been included and the Company hereby agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.

(30) Certain information in the schedules and exhibits to this exhibit have been omitted as they contain due diligence information which the Registrant does not believe is material to an investment decision which is otherwise described in the Report. Summaries of the information have been included and the Company hereby agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.

(31) Filed with Amendment No. 1 to Registration Statement (No. 333-189937) on December 13, 2013.

(32) Incorporated by reference to the copy of such documents included as an Exhibit to our Current Report on Form 8-K for January 31, 2014, filed on February 6, 2014.

(33) Filed with Amendment No. 4 to Registration Statement No. 333-189937 on March 18, 2014.

(34) Filed with Amendment No. 5 to Registration Statement No. 333-189937 on March 27, 2014 and replaced in Amendment No. 7 to the Registration Statement No. 333-189937 filed on May 5, 2014.

(35) Filed with Amendment No. 5 to Registration No. 333-189937 on March 27, 2014.

(36) Filed with Amendment No. 7 to Registration No. 333-189937 on March 5, 2014.

(37) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for April 4, 2014 filed on April 10, 2014.

(38) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for July 18, 2014 filed on July 23, 2014.

(39) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for July 28, 2014 filed on August 5, 2014.

(40) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for August 25, 2014 filed on August 26, 2014.

(41) Incorporated by reference to the copy of such document included as an Exhibit to our Current Report on Form 8-K for October 27, 2014 filed on October 31, 2014.

(42) Incorporated by reference to the copy of such document included as an Exhibit to our Registration Statement on Form S-3 (No. 333-200107) filed on November 12, 2014.

(43) Incorporated by reference to the copy of such document included as an exhibit to a Current Report on Form 8-K for February 24, 2015, filed on February 27, 2015.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this amendment to annual report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California on the 9th day of February, 2016.

BLUE EARTH, INC.

By: /s/ G. Robert Powell
Name: G. Robert Powell
Title: Chief Executive Officer

(Principal Executive Officer)

Pursuant to the requirements of Section 13 or 15(d) the Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Laird Q. Cagan</u> Laird Q. Cagan	Chairman of the Board	February 9, 2016
<u>/s/ G. Robert Powell</u> G. Robert Powell	Chief Executive Officer and a Director (Principal Executive Officer and Interim Principal Accounting Officer)	February 9, 2016
<u>/s/ Robert Potts</u> Robert Potts	President, Chief Operating Officer and Director	February 9, 2016
<u>/s/ William Richardson</u> Governor William (Bill) Richardson	Director	February 9, 2016

<u>/s/ Michael W. Allman</u>	Director	February 9, 2016
Michael W. Allman		
<u>/s/ James A. Kelly</u>	Director	February 9, 2016
James A. Kelly		
<u>/s/ Alan P. Krusi</u>	Director	February 9, 2016
Alan P. Krusi		

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit

No. Description

23.1 Consent of HJ and Associates, LLC.

31.1 Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certificate of the Interim Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certificate of the Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley of 2002.

32.2 Certificate of the Interim Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley of 2002.

