HEIN

Acclaim Energy, Ltd.

Financial Statements
and
Independent Auditor's Report

December 31, 2015 and 2014

ACCLAIM ENERGY, LTD.

INDEX

HEIN

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INDEPENDENT AUDITOR'S REPORT

To the Partners of
Acclaim Energy, Ltd.:
Houston, Texas

Report on the Financial Statements

We have audited the financial statements of Acclaim Energy, Ltd. (the "Partnership"), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, partners' capital and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Hein & Associates LLP

Houston, Texas
May 13, 2016

ACCLAIM ENERGY, LTD.

BALANCE SHEETS

	NOTES	DECEMBER 31, 2015	DECEMBER 31, 2014
ASSETS			
CURRENT ASSETS:			
Cash	3.g	$ 415,529	$ 311,319
Current accounts receivable, net	3.h, 6	1,873,704	2,045,659
Other current accounts receivable	13	–	30,177
Prepaid expenses, deposits and other current assets		45,621	31,229
Total current assets		2,334,854	2,418,384
NON-CURRENT ASSETS:			
Property and equipment, net	3.j, 7	119,297	148,360
Long-term accounts receivable, net	3.h, 6	2,753,614	1,886,630
Software development costs, net	3.i, 8	67,707	79,826
Total assets		$ 5,275,472	$ 4,533,200
LIABILITIES AND PARTNERS' CAPITAL			
CURRENT LIABILITIES:			
Accounts payable		$ 153,439	$ 172,238
Accrued commissions and referral fees	3.n	295,537	834,240
Accrued expenses and other current liabilities	3.o	780,439	87,854
Current portion of long-term debt	9	354,729	787,486
Total current liabilities		1,584,144	1,881,818
LONG-TERM LIABILITIES:			
Long-term accrued commissions and referral fees	3.n	594,404	769,386
Long-term debt, net of current portion	9	1,402,172	793,207
Total liabilities		3,580,720	3,444,411
COMMITMENTS AND CONTINGENCIES	15		
PARTNERS' CAPITAL	10	1,694,752	1,088,789
Total liabilities and partners' capital		$ 5,275,472	$ 4,533,200

See accompanying notes to these financial statements.

ACCLAIM ENERGY, LTD.

STATEMENTS OF OPERATIONS

	NOTES	YEARS ENDED DECEMBER 31, 2015	2014
REVENUES, net	3.e, 5	$ 5,587,969	$ 3,952,420
COST OF REVENUES	3.f	1,443,908	1,188,137
Gross profit		4,144,061	2,764,283
OPERATING EXPENSES:			
Selling, general and administrative		3,362,239	2,386,059
Depreciation and amortization		78,336	75,244
Total operating expenses		3,440,575	2,461,303
INCOME FROM OPERATIONS		703,486	302,980
INTEREST EXPENSE, net	12	158,648	146,928
Income before provision for state income tax		544,838	156,052
PROVISION FOR STATE INCOME TAX	3.1	7,228	12,000
Net income		$ 537,610	$ 144,052

See accompanying notes to these financial statements.

ACCLAIM ENERGY, LTD.

STATEMENTS OF PARTNERS' CAPITAL

YEARS ENDED DECEMBER 31, 2015 AND 2014

BALANCE, at January 1, 2014	$ 608,054
Conversion of debt to Preferred Series B units	336,683
Net income	144,052
BALANCE, at December 31, 2014	1,088,789
Distribution to Partners	(221,647)
Issuance of warrant	290,000
Net income	537,610
BALANCE, at December 31, 2015	$ 1,694,752

See accompanying notes to these financial statements.

ACCLAIM ENERGY, LTD.

STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 537,610	$ 144,052
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	78,336	75,244
Paid-in-kind interest	5,203	–
Amortization of deferred financing costs	3,993	–
Amortization of warrant discount	9,634	–
Changes in operating assets and liabilities:		
Accounts receivable	(695,029)	435,212
Prepaid expenses and other current assets	15,785	(46)
Accounts payable	(18,799)	(58,755)
Accrued commissions	(713,685)	150,969
Accrued expenses and other current liabilities	692,585	(32,071)
Net cash (used in) provided by operating activities	(84,367)	714,605
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(16,154)	–
Software development costs	(21,000)	–
Net cash used in investing activities	(37,154)	–
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital leases	(66,753)	(64,064)
Proceeds from debt borrowings	1,800,000	110,000
Repayments on debt borrowings	(1,167,090)	(449,767)
Deferred financing costs	(119,779)	–
Distribution to Partners	(221,647)	–
Proceeds from issuance of warrant	1,000	–
Net cash (used in) provided by financing activities	225,731	(403,831)
NET CHANGE IN CASH	104,210	310,774
CASH, beginning of year	311,319	545
CASH, end of year	$ 415,529	$ 311,319
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Accrued interest added to related party notes payable	$ –	$ 7,523
Conversion of debt to Preferred Series B units	$ –	$ 336,683
Issuance of warrant in connection with senior subordinated secured note	$ 289,000	$ –
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 161,994	$ 127,339
Cash paid for income taxes, net of refunds	$ 12,000	$ 9,883

See accompanying notes to these financial statements.

1. DESCRIPTION OF BUSINESS

Acclaim Energy, Ltd. (the "Partnership") was established in 2003 as The Legacy CMS Group, Ltd. before renaming itself in 2009. The Partnership, which is headquartered in Houston, Texas, provides services including advising clients to help reduce the financial uncertainty of unpredictable energy costs by creating a tailored procurement and risk management strategy for each client. The Partnership provides energy procurement, energy price risk management, contract management and energy reliability solutions to enable better management of its clients' energy expenditures. The Partnership serves primarily the retail markets for electricity and natural gas within deregulated and regulated energy markets across the United States ("U.S.") and Canada.

2. LIQUIDITY

During the year ended December 31, 2015, the Partnership had net income of $537,610, and positive working capital of $785,065.

The Partnership anticipates that it will be able to support its liquidity and capital requirements in 2016 through operational cash flows from increased sales revenues and availability under its bank revolving credit facility as discussed further in Note 9.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance with IFRS

The financial statements of the Partnership have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared using accounting policies specified by those IFRS's that are in effect at December 31, 2015 and 2014. The significant accounting policies that have been applied in the preparation of these financial statements are summarized below. These accounting policies have been used throughout all periods presented in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Use of Estimates in Preparation of Financial Statements

The preparation of financial statements requires management of the Partnership to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts added to and deducted from the Partnership's equity during the reporting period. Actual results could differ from those estimates. The following discusses the most significant accounting judgments, estimates and assumptions that the Partnership has made in the preparation of the financial statements.

i. Areas of judgment

a. Impairment tests

The Partnership exercises judgment to determine whether there are factors that would indicate that an asset is impaired. Factors considered include whether an active market exists for the output produced by the asset or group of assets, estimates of future revenues and cost, discount rates and other relevant assumptions.

ii. Assumptions and critical estimates

a. Stock-based compensation and warrants

The amounts recorded relating to fair value of stock options and warrants are based on estimates of future volatility in the Partnership's share price, expected lives of options and warrants, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of companies over the preceding period equaling the expected lives of the Partnership's options and warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Impairment of property and equipment

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less disposal costs and its value in use. The fair value less estimated disposal costs is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use estimate is based on a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Partnerships is not yet committed to or significant future investments that will enhance the performance of the asset being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

c. Functional and Presentation Currency

These financial statements are presented in U.S. Dollars, which is the functional currency of the Partnership.

d. Fair Value Measurements

A number of the Partnership's accounting policies and disclosures require the determination of fair value for non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Partnership classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs to value the instruments:

- Level 1: Valued based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Level 2: Valued based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value presentation.

The fair value of cash is based on Level 1 inputs.

e. Revenue Recognition

The Partnership earns revenue through energy rate optimization services, energy management services, and certain consulting and energy risk management services. Revenues are recognized by the Partnership when all of the following criteria are met: the amount of revenue can be measured reliably; it is probable that the economic benefits related to the contract will flow to the Partnership, the stage of completion of the service at the end of the reporting period can be measured reliably; and the Partnership's costs incurred to complete the service can be measured reliably.

Energy rate optimization services include broker services whereby the Partnership obtains competitive bids and negotiates supply contracts for a client's future electricity or natural gas needs through retail energy providers ("REPs") from which the Partnership receives a fee from the contracted REP. The Partnership has formal contracts in place with each REP from which it solicits bids that sets forth the terms pursuant to which the fee is to be paid and the details each REP is to provide to the Partnership concurrent with any future fee payments. As there is no future obligation upon the execution of the contract between the REP and the customer, the Partnership recognizes the full contract value as revenue upon execution of the contract. The value of the contract is estimated based on historical usage of the customer and the brokerage rate with the REP. The Partnership reviews and adjusts, if necessary, the estimated contract value at least annually based on actual and projected customer energy usage.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Discounts taken on amounts billed to customers are recorded as contra revenues and are reflected in the caption "Revenues, net" in the statement of operations.

Energy management services include commissions as the agent for third party sales of generators to clients, and payments from third parties (electricity grid operators and utilities) to incentivize clients to curtail electricity usage during periods of high-demand and potential stress on the electricity grid, which is commonly referred to as demand response. The Partnership recognizes energy management services revenue when the services are provided and the above criteria are met.

Consulting and energy risk management services include fee-based assistance to clients in the various facets of energy management, including the procurement of energy and the analysis of energy consumption and expenditures. The Partnership recognizes consulting and energy risk management services revenue when the services are provided and the above criteria are met.

f. Cost of Revenues

Cost of revenues is comprised primarily of the direct personnel and third-party agent sales commission's costs associated with aligning clients with REPs, and assisting clients with their energy management. At the time the underlying contract is executed, the Partnership estimates and recognizes all of the direct costs incurred, including sales commissions.

g. Cash and Cash Equivalents

The Partnership considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at December 31, 2015 or 2014.

h. Accounts Receivable and Credit Policies

Accounts receivable are uncollateralized client obligations due as a result of commissions earned or services provided. Client obligations for energy rate optimization commissions are generally due over the term of the underlying contract, which typically exceed one-year. Accounts receivable expected to be collected over the next twelve months are classified as current, while the remaining portion is classified as long-term. Client obligations for other services are invoiced when complete and generally due within 30 days of issuance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Payments received on accounts receivable are allocated based on the underlying contract for which the commission was earned or the specific service invoice identified on the client's remittance, or if unspecified, are applied to the earliest unpaid invoice for that client.

The carrying amount of account receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that are not likely to be collected. Management periodically reviews all trade receivables balances and based on an assessment of current creditworthiness and historical contract performance, estimates the portion, if any, of the balance that may not be collected. At December 31, 2015 and 2014, the valuation allowance balance was approximately $142,000. At December 31, 2015, approximately $38,000 and $104,000 of the valuation allowance was allocated to current and long-term accounts receivables, respectively. At December 31, 2014, the full valuation allowance was allocated to current accounts receivable.

i. Software Development Costs

Software development costs consist primarily of (a) salaries and related personnel costs, including costs associated with share-based payment awards related to the Partnership's development of new software and database functionality, (b) payments to suppliers for design and consulting services, (c) costs relating to the design and development of new energy management applications, services, and products and enhancement of existing energy management applications, services and products, (d) quality assurance and testing and (e) other related overhead. Costs incurred in research and development are expensed as incurred.

The Partnership capitalizes software development costs that it expects to be recoverable from future sales and that provide future economic benefits to the Partnership. Following initial recognition, the assets are carried at cost less any accumulated amortization and any impairment losses. Software development costs are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the asset may be impaired.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assessing a software development asset for impairment requires the Partnership to make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows take into account the risks specific to the asset and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. No impairments were recorded in 2015 or 2014.

j. Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful life of each asset. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Costs include ancillary costs directly attributable to bringing the asset into operating condition. Ordinary maintenance and repairs are charged to expenses. Expenditures which extend the physical or economic life of the assets are capitalized. Gains and losses on the dispositions of assets are recognized in the statement of operations, and the related assets and accumulated depreciation accounts are adjusted accordingly.

The Partnership assesses the carrying value of property and equipment at each reporting date for indications of impairment. Indications of impairment include an ongoing lack of profitability, significant change in technology, loss of a significant customer as well as economic circumstances. When an indication of impairment is present, a test for impairment is carried out by comparing whether the carrying value of the asset exceeds the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Fair value less costs of disposal are based on an estimate of the price the Partnership would receive upon the sale of the asset in an orderly transaction under current market conditions.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in current year operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

k. Stock-Based Compensation

Equity-settled partners' unit-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled partners' unit-based transactions are in Note 10.

The fair value determined at the grant date of these payments are expensed on a straight-line basis over the vesting period, based on the Partnership's estimate of equity instruments that will eventually vest, with a corresponding increase in partner's capital. At the end of each reporting period, the Partnership revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee reserve.

l. Income Taxes

The Partnership is not subject to federal income taxes. The holders of the Partnership units report their respective share of taxable earnings or losses in their personal tax return. The Partnership remains liable for certain state taxes. The income tax provision in the statements of operations relate to the Texas margin tax.

Accounting for uncertainty in income taxes prescribes a minimum threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required before being recognized in the financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting for interim periods, disclosure and transition. The Partnership records estimated interest and penalties related to uncertain tax positions as a component of income tax expense. At December 31, 2015 and 2014, the Partnership made no provision of for interest and penalties related to uncertain tax positions. The Partnership does not have any uncertain tax liabilities at December 31, 2015 and 2014. The Partnership's margin tax returns are open to examination from 2012.

3. <u>SIGNIFICANT ACCOUNTING POLICIES (continued)</u>

Taxes in the State of Texas are calculated on the basis of an entity's "margin." The Partnership has reflected a provision for this tax amount in the accompanying statements of operations as income tax expense.

m. Disclosure of Fair Value of Financial Instruments

The Partnership's financial instruments mainly consist of cash, accounts receivable, accounts payable, accrued liabilities and debt obligations. The carrying amounts of the Partnership's cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments. The Partnership's debt instruments approximate fair value as the underlying interest rates are commensurate with debt instruments carrying similar credit risk.

n. Accrued Commissions

The Partnership recognizes the cost of any sales commissions at the time the sale is recognized. These commissions are paid as cash is collected from the customers or energy suppliers.

o. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of employee payroll taxes, bonuses, other benefit costs, and other miscellaneous costs incurred for which the Partnership has not been billed.

p. Financial Instruments

(i) Classification and measurement

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized cost" as defined by IAS 39, "Financial Instruments: Recognition and Measurement."

3. <u>SIGNIFICANT ACCOUNTING POLICIES (continued)</u>

Financial assets and financial liabilities at "fair value through profit or loss" are either classified as "held for trading" or "designated at fair value through profit or loss" and are measured at fair value with changes in fair value recognized in the statement of operations. Transaction costs are expensed when incurred. The Partnership has designated cash as "held for trading."

Financial assets and financial liabilities classified as "loans and receivables", "held-to-maturity", or "financial liabilities measured at amortized cost" are measured at amortized cost using the effective interest method of amortization. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity. "Financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through profit or loss" and that are not derivatives. The Partnership has designated accounts receivable as "loans and receivables" and bank debt and accounts payable and accrued liabilities as "financial liabilities measured at amortized cost."

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Partnership does not have any assets or liabilities that it considers "available-for-sale."

(ii) Partners' capital instruments

Common and preferred units are classified as partners' capital. Incremental costs directly attributable to the issuance of the Partnership's units are recognized as a deduction from partners' capital, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Impairment

The Partnership assesses at each balance sheet date whether there is objective evidence that financial assets, other than those designated as "fair value through profit or loss" are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of operations. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of operations in the period. Impairment losses may be reversed in subsequent periods.

4. CHANGES IN ACCOUNTING STANDARDS

The Partnership adopted all applicable amendments and revisions to IFRS standards and interpretations. The application of these standards, amendments to standards and interpretations did not have a material impact on the financial statements.

IFRS 15 – "Revenue from Contracts with Customers" provides a comprehensive new standard on revenue recognition. It specifies how and when to recognize revenue as well requiring entities to provide more informative and relevant disclosures. The new standard is effective for years beginning on or after January 1, 2018. IFRS 15 is being assessed to determine its impact on the Partnership's results and financial position.

IFRS 9 – "Financial Instruments" replaces the guidance on "classification and measurement" of financial instruments in IAS 39, Financial Instruments – Recognition and Measurement. The new standard requires a consistent approach to the classification of financial assets and replaces the numerous categories of financial assets in IAS 39 with two categories measured at either amortized cost or at fair value. For financial liabilities, the standard retains most of the IAS 39 requirements, but where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss and comprehensive loss, unless this creates an accounting mismatch. It also includes a new general hedge accounting model. IFRS 9 is being assessed to determine its impact on the Partnership's results and financial position.

4. **CHANGES IN ACCOUNTING STANDARDS (continued)**

The IASB has developed a new standard IFRS 16 – "Leases" which supersedes IAS 17 – "Leases." IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). Lessee accounting will change substantially under this new standard while there is little change for the lessor. IFRS 16 eliminates the classification of leases as either operating leases or financing leases and, instead, introduces a single lessee accounting model. A lessee will be required to recognize assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) and will be required to present depreciation of leased assets separately from interest on lease liabilities in the statement of operations. A lessor will continue to classify its leases as operating leases or financing leases, and to account for those two types of leases separately, IFRS 16 is being assessed to determine its impact on the Partnership's results and financial position.

5. **REVENUE, NET**

Revenue, net for the years ended December 31 was as follows:

	2015	2014
Energy rate optimization services	$ 3,916,951	$ 2,743,269
Energy management services	818,893	578,790
Consulting and energy risk management services	852,125	630,361
	$ 5,587,969	$ 3,952,420

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following at December 31:

	2015	2014
Accounts receivable – current	$ 1,911,338	$ 2,187,734
Accounts receivable – noncurrent	2,858,055	1,886,630
	4,769,393	4,074,364
Less: allowance for doubtful accounts	(142,075)	(142,075)
	$ 4,627,318	$ 3,932,289

The fair value of these assets does not differ materially from the carrying amounts recognized.

The Partnership's clients are located throughout the United States, with facilities in both the United States and Canada. The Partnership performs ongoing credit evaluations of the financial condition of its clients and generally does not require collateral. Although the Partnership is directly affected by the overall financial condition in the United States as well as global economic conditions, the Partnership does not believe significant credit risk exists at December 31, 2015 and 2014. The Partnership generally has not experienced any material losses related to accounts receivable. The Partnership maintains an allowance for doubtful accounts based on accounts past due and historical collection experience. Due to these factors, no additional credit risk consideration beyond amounts provided for collection losses is believed to be necessary.

The following table shows the future estimated customer payment terms on the outstanding receivables (excluding the valuation allowance discussed in Note 3h.) at December 31, 2015:

2016	$ 1,911,338
2017	1,195,957
2018	591,116
2019	290,744
2020	362,869
Thereafter	417,369
	$ 4,769,393

7. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	OFFICE EQUIPMENT AND FURNITURE	COMPUTER EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
COST:				
BALANCES, January 1, 2014	$ 31,761	$ 237,059	$ 24,099	$ 292,919
Additions	–	–	–	–
Disposals	–	–	–	–
BALANCES, December 31, 2014	31,761	237,059	24,099	292,919
Additions	–	16,154	–	16,154
Disposals	–	–	–	–
BALANCES, December 31, 2015	$ 31,761	$ 253,213	$ 24,099	$ 309,073
ACCUMULATED DEPRECIATION AND AMORTIZATION:				
BALANCES, January 1, 2014	$ (31,761)	$ (57,556)	$ (10,877)	$ (100,194)
Depreciation and amortization	–	(39,699)	(4,666)	(44,365)
Disposals	–	–	–	–
BALANCES, December 31, 2014	(31,761)	(97,255)	(15,543)	(144,559)
Depreciation and amortization	–	(40,211)	(5,006)	(45,217)
Disposals	–	–	–	–
BALANCES, December 31, 2015	$ (31,761)	$ (137,466)	$ (20,549)	$ (189,776)
NET BOOK VALUE				
BALANCES, December 31, 2014	$ –	$ 139,804	$ 8,556	$ 148,360
BALANCES, December 31, 2015	$ –	$ 115,747	$ 3,550	$ 119,297

8. SOFTWARE DEVELOPMENT COSTS

Capitalized software development costs consisted of the following:

	2015	2014
COST:		
BALANCES, January 1	$ 1,203,541	$ 1,203,541
Additions	21,000	–
Disposals	–	–
BALANCES, December 31	$ 1,224,541	$ 1,203,541
ACCUMULATED AMORTIZATION:		
BALANCES, January 1	$(1,123,715)	$(1,092,836)
Amortization	(33,119)	(30,879)
Disposals	–	–
BALANCES, December 31	$(1,156,834)	$(1,123,715)
NET BOOK VALUE		
BALANCES, December 31	$ 67,707	$ 79,826

9. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2015	2014
First term note with commercial bank, collateralized by all assets of the Partnership, annual interest rate of prime plus 2.75 percent (prime rate was 3.25 percent at December 31, 2014), and $14,940 including principal and interest due monthly at December 31, 2014.	$ –	$ 324,331
Second term note with commercial bank, collateralized by all assets of the Partnership, annual interest rate of prime plus 2.75 percent (prime rate was 3.25 percent at December 31, 2014), $17,259 including principal and interest due monthly at December 31, 2014.	–	581,565

9. LONG-TERM DEBT (continued)

	2015	2014
Third term note with commercial bank, collateralized by all assets of the Partnership, annual interest rate of prime plus 2.75 percent (prime rate was 3.25 percent at December 31, 2014) but not less than 7 percent, payments of $3,396 including principal and interest due monthly at December 31, 2014.	–	81,682
Subordinated note payable to an entity owned by the Partnership's Chief Executive Officer, to be repaid in eighteen (18) equal installments through May 2017, annual interest rate of 10 percent.	88,588	140,000
Unsecured notes payable to related parties, annual interest rates of 9 to12 percent, in equal installments through May 2017.	218,639	346,739
Senior subordinated secured note payable with family office, with required repayment of 5 percent of initial aggregate principal amount paid semi-annually with final principal payment due in November 2020.	1,805,203	–
Financing lease, with final payment due in November 2016	39,623	106,376
Less: unamortized amortized debt issuance costs and warrant discount	(395,152)	–
Total long-term debt	1,756,901	1,580,693
Less: current maturities	(354,729)	(787,486)
Long-term debt, less current maturities	$ 1,402,172	$ 793,207

During November 2015, the Partnership entered into a senior subordinated secured note payable agreement in the initial aggregate principal amount of $1,800,000. The note bears interest at 12% per annum accruing and payable monthly in cash plus 2% per annum accruing in payable-in-kind ("PIK"), compounded monthly, or paid in cash at the Partnership's option. The Partnership is required to repay 5% of the initial aggregate principal amount of the note on a semi-annual basis beginning May 2, 2016. The note has a final maturity of November 2020 when the remaining principal balance and all accumulated and unpaid PIK interest, will be due and payable. The net proceeds of the note, after origination and professional fees were utilized to repay all outstanding amounts due under the first term, second term and third term notes payable with a commercial bank. The remaining balance was used to provide working capital to the Partnership.

9. LONG-TERM DEBT (continued)

The following table shows the future scheduled principal payments on the long-term debt at December 31, 2015:

	NOTES PAYABLE	CAPITAL LEASE OBLIGATIONS	DEFERRED FINANCING COSTS/ WARRANT DISCOUNT	TOTAL
2016	$ 396,866	$ 39,623	$ (81,760)	$ 354,729
2017	270,361	–	(81,760)	188,601
2018	180,000	–	(81,760)	98,240
2019	180,000	–	(81,760)	98,240
2020	1,085,203	–	(68,112)	1,017,091
	$ 2,112,430	$ 39,623	$ (395,152)	$ 1,756,901

In January 2016, the Partnership entered into a $600,000 revolving line of credit facility with a bank to provide additional liquidity and working capital. The facility bears interest at the prime rate as published in the Wall Street Journal, plus a margin of 1%, resulting in an initial interest rate of 4.5%. Interest payments are accruing and payable monthly. The line of credit has a scheduled maturity of January 2017. On May 2, 2016, the Partnership increased the revolving line of credit facility to $850,000 and the scheduled maturity was changed to May 2017. Concurrently, the Partnership utilized $317,000 under the revised revolving line of credit to repay principal and accrued PIK interest under the Senior Subordinated Secured notes payable discussed above.

Capital Leases

The Partnership leased certain equipment under agreements classified as capital leases which are included in the property and equipment amount in the financial statements. The leases expire at various dates and are payable in monthly installments ranging from $1,556 to $3,135. At December 31, 2015 and 2014, the capitalized cost and accumulated amortization related to the equipment under the capital leases are as follows:

	2015	2014
Capitalized cost	$ 198,694	$ 198,694
Less: accumulated amortization	(98,629)	(58,890)
Capitalized cost, net	$ 100,065	$ 139,804

10. PARTNERS' CAPITAL

The Partnership includes a general partner and limited partners. The partners' interest in the Partnership includes Common units, Series A Preferred units, Series B Preferred units, and Series C Preferred units. The Series C Preferred units are available only to certain holders of promissory note obligations owed by the Partnership. The limited partners have no recourse against the general partner in connection with a dissolution or an otherwise liquidating event. Each partner's liability is limited to their initial investment. The holders of the Common units, Series A Preferred units, Series B Preferred units, and Series C Preferred units vote together as a single class on all matters of the Partnership.

The Series A Preferred units, Series B Preferred units and Series C Preferred units are entitled to a liquidation preference that subordinates Common unit holders and holders of any other junior units, as defined. Upon a liquidation event and prior to any distributions to other unit holders, holders of the Series A Preferred units are to be repaid their initial investment ($10 per preferred unit), holders of the Series B Preferred units are to be repaid their initial investment ($5.12 per preferred unit) and holders of the Series C Preferred units are to be repaid their initial investment ($6.25 per preferred unit). After the preferred unit holder's initial investment is repaid, they share in remaining distributions on a pro rata manner with other unit holders.

There were no Series C Preferred units outstanding at December 31, 2015 and 2014. The following tables show the units outstanding:

DECEMBER 31, 2015	GENERAL PARTNER	LIMITED PARTNERS	TOTAL
Common units	1,000	1,295,935	1,296,935
Series A Preferred units	–	150,000	150,000
Series B Preferred units	–	65,756	65,756
			1,512,691

DECEMBER 31, 2014	GENERAL PARTNER	LIMITED PARTNERS	TOTAL
Common units	1,000	1,236,000	1,237,000
Series A Preferred units	–	150,000	150,000
Series B Preferred units	–	65,756	65,756
			1,452,756

10. PARTNERS' CAPITAL (continued)

The Partnership has a unit option plan under which the Board of Directors may grant directors, officers and employees options to purchase Common units. These Common unit options typically have an exercise period of up to ten years from the grant date. During 2015, the Partnership issued 42,236 Common unit options to an officer of the Partnership. During 2014, the Partnership issued 10,000 Common unit options to an additional member of the Board of Directors. The Partnership records the cost of these grants in its statement of operations based upon the estimated fair value of those awards over their respective vesting periods. These Common unit options either vest on a pro-rata basis over one or two years or vest on meeting various performance based metrics.

The following table summarizes common unit option activity:

	Number of Units Underlying Options	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Life (Years)
Outstanding at January 1, 2014	20,000	$ 10.00	7.67
Granted	10,000	10.00	9.01
Exercised	–	–	–
Forfeited	–	–	–
Expired	–	–	–
Outstanding at December 31, 2014	30,000	10.00	8.12
Granted	42,236	3.57	9.47
Exercised	–	–	–
Forfeited	–	–	–
Expired	–	–	–
Outstanding at December 31, 2015	72,236	5.96	8.91
Exercisable at December 31, 2015	25,000	$ 10.00	7.94

10. PARTNERS' CAPITAL (continued)

The fair value of each Common unit-based payment transaction granted during 2015 was estimated on the grant date, as determined by using the Black-Scholes options-pricing model with the following assumptions:

Exercise price	$3.57
Share price	$4.24
Dividend yield	0%
Forfeiture rate	0%
Risk-free interest rate	2.27%
Expected life of options	2 years
Expected volatility	25.0%

Non-vested Common unit options at December 31, 2015 total 47,236, which includes 42,236 performance based options granted during 2015. The fair value of the options granted during 2015 was $1.85 per option. Of the performance based options, 14,360 vested during 2015 and the remaining 27,729 option's performance conditions have not been satisfied at December 31, 2015. For the years ended December 31, 2015 and 2014, compensation expense was immaterial to the financial statements. At December 31, 2015, unrecognized compensation expense related to Common unit options was immaterial to the financial statements. These costs are expected to be recognized over a weighted-average period of two years.

The following table summarizes restricted common unit activity:

UNVESTED, January 1, 2014	$ 191,199
Granted	–
Forfeited	–
Vested	(125,759)
UNVESTED, December 31, 2014	65,440
Granted	–
Forfeited	(590)
Vested	(59,935)
UNVESTED, December 31, 2015	$ 4,915

For the years ended December 31, 2015 and 2014, compensation expense related to restricted common units was immaterial to the financial statements.

11. WARRANTS

In 2012, the Partnership issued eight promissory notes for a total of $708,000 to private lenders. The promissory notes were accompanied by participation rights agreements and Common unit purchase warrants. The participation rights agreements provide the investors with the right to participate in an equity raise at a 15 percent discount of the offering price of the next equity raise of the Partnership. Similarly, the Common unit purchase warrants provides the investors with the right to purchase Common units at an exercise price of $10.5932 per unit, subject to adjustment in certain limited circumstances.

During the year ended December 31, 2014, the Partnership extended $346,739 of the promissory notes to March 31, 2015, including accrued and unpaid interest as well as modified the notes to be convertible to Series C Preferred Units at a conversion price of $6.25 per unit which would cancel out the originally issued warrants. The Partnership also converted $336,683 of related party notes payable including accrued and unpaid interest to 65,756 Series B Preferred Units which cancelled 5,475 of the previously issued warrants.

In conjunction with the issuance of senior subordinated secured note discussed in Note 9, the Partnership paid down a total of $160,755 of the $486,739 principal amount of the subordinated notes payable and the unsecured notes payable to related parties discussed in Note 13 and amended all of the promissory notes to pay the remaining principal over eighteen (18) equal monthly payments. Additionally, the holder of the senior subordinated secured note purchased for $1,000 a warrant exercisable into a fully diluted 6% ownership of the Partnership. The term of the warrant is 10 years from issuance of the senior subordinated secured notes and the holder receives unlimited piggy back registration right; tag along/co-sale and customary warrant anti-dilution provisions. With the assistance and advice of a third-party valuation firm, the Partnership estimated the fair value of the warrant to be $290,000. The Partnership used the discounted cash flow method to estimate fair value and used a discount rate commensurate with the risk inherent with the Partnership's current business model. The fair value of the warrant was recorded as an increase to partners' capital and a discount to the related senior subordinated secured note, less proceeds received. The discount is being amortized as interest expense over the life of the senior subordinated secured note using the effective interest rate method.

12. INTEREST

Interest expense (income) consists of the following for the years ended December 31:

	2015	2014
Interest expense	$ 145,312	$ 147,438
Amortization of debt financing costs	3,993	–
Amortization of warrant discount	9,634	–
Interest income	(291)	(510)
	$ 158,648	$ 146,928

13. RELATED PARTIES

The Partnership considers its key management personnel to be its Chief Executive Officer, President, Executive Vice President, and Senior Vice President. Key management compensation is composed of salary and benefits, stock based compensation and consulting fees paid to key management and companies controlled by key management. During the year ended December 31, 2015 and 2014, key management compensation, including commissions and stock-based compensation amounted to approximately $1,001,000 and $808,000, respectively and split between general and administrative sales and marketing, development, operations, and stock-based compensation expenses, based on work performed.

Total personnel expenses for employees, consultants, directors and management included in expenses in the statements of operations total approximately $3,200,000 and $2,359,000 for the year ended December 31, 2015 and 2014, respectively, and split between general and administrative sales and marketing, development, operations, and stock based compensation expenses, based on work performed.

During the year ended December 31, 2015, the Partnership repaid approximately $51,400 of a subordinated note payable to an entity owned by the Partnership's Chief Executive Officer. For the year ended December 31, 2015 and 2014, respectively, the Partnership incurred approximately $13,300 and $14,000 of interest expense on this subordinated note payable.

13. RELATED PARTIES (continued)

During the year ended December 31, 2015, the Partnership repaid approximately $128,100 of unsecured notes payable to related parties who were also holders of Series A Preferred, Series B Preferred and Common unit holders. The Partnership incurred approximately $32,000 and $23,500 of interest expense on these unsecured related party notes payable during 2015 and 2014, respectively.

14. EMPLOYEE SAVINGS AND RETIREMENT PLAN

The Partnership has established a 401(k) Profit Sharing Plan and Trust (the "Plan") covering substantially all employees. Once the employees have met the eligibility and participation requirements under the Plan, employees may contribute a portion of their earnings to the Plan to be invested in various savings alternatives. Beginning on January 1, 2014, the Plan has employed a Safe Harbor funding mechanism which requires 100% matching of employee deferrals for all amounts that do not exceed 4% of such employee's compensation. Management of the Partnership believes that it must offer a Plan competitive with larger employers in an effort attract and to retain key employees. For the years ended December 31, 2015 and 2014, the Partnership contributed approximately $36,000 and $37,000 to the Plan, respectively.

15. COMMITMENTS AND CONTINGENCIES

The Partnership leases its office facilities and certain equipment under non-cancelable operating leases, which expire through 2018. Certain of the Partnership's operating leases contain escalating rent payments. The Partnership has accounted for its rent expense under these operating lease arrangements on a straight-line basis. At December 31, 2015 and 2014, the deferred rent balances are included in other liabilities in the balance sheets and were not material. The majority of the office leases require payments for additional expenses such as taxes, maintenance, and utilities. Certain of the leases contain renewal options.

15. COMMITMENTS AND CONTINGENCIES (continued)

At December 31, 2015, future minimum lease payments for operating leases with non-cancelable terms of more than one year at inception were approximately as follows:

2016	$ 167,504
2017	73,540
2018	12,369
Total minimum lease payments	$ 253,413

For the years ended December 31, 2015 and 2014, rent expense amounted to approximately $178,000 and $162,000, respectively.

16. CAPITAL MANAGEMENT

The Partnership optimizes its capital structure with a view to ensuring a strong financial position to support its operations and growth strategies. The Partnership's capital structure is made up of Common units, Preferred Series A units, Preferred Series B units, Preferred Series C units, (Note 10), and warrants (Note 11) as equity components. The Partnership strives to maximize the value associated with its capital. In order to maintain or adjust its capital structure, the Partnership may from time to time issue shares and adjust spending. The Partnership is not subject to externally imposed capital requirements and the Partnership's overall strategy with respect to capital risk management remained unchanged during the years presented.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Partnership's risk management policies are established to identify, analyze and manage the risks faced by the Partnership and to implement appropriate procedures to monitor risks in adherence with established controls. Risk management policies and systems are reviewed periodically in response to the Partnership's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Partnership's use of financial instruments include credit risk, liquidity risk and market risk. These risks, and the actions taken to manage them include:

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a. Fair Value

Due to the short-term nature of current accounts receivable, accounts payable, current and long-term accrued commissions and referral fees, accrued expenses and other current liabilities, the Partnership determined that the carrying amounts of these financial instruments approximate their fair value. Because of the low interest rate environment in the United States, the carrying value of long-term accounts receivable approximates fair value in all material respects.

b. Credit Risk

Credit risk is the risk of financial loss to the Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions, current and long-term accounts receivable and other receivables and deposits. The maximum exposure to credit risk is equal to the carrying value of the Partnership's cash and current and long-term accounts receivable.

The Partnership minimizes credit risk associated with its cash balances substantially by dealing with major financial institutions in the U.S. Financial instruments which potentially subject the Partnership to concentrations of credit risk consist of cash and current and long-term accounts receivable. The Partnership places its cash with quality financial institutions. At times, such cash balances may be in excess of the federally insured limits. Historically, the Partnership has not experienced any losses of its cash due to such concentration of credit risk. The Partnership monitors customers' financial condition and performs ongoing credit evaluations of its customers' financial condition to minimize its risks associated with trade receivables.

For the years ended December 31, 2015 and 2014, the Partnership had approximately 950 and 670 customer contracts, respectively, with approximately 46 REPs. Five of those REPs were responsible for over 50 percent of the customer contracts. During 2015 and 2014, these five REPs accounted for approximately 51 and 64 percent of the Partnership's revenue, respectively. At December 31, 2015 and 2014, outstanding receivables for these five REPs accounted for approximately 59 and 39 percent of the Partnership's accounts receivable balance, respectively.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c. Liquidity Risk

Liquidity risk is the risk that the Partnership will incur difficulties meeting its financial obligations as they come due. At December 31, 2015 and 2014, the Partnership has cash of approximately $416,000 and $311,000, respectively. At December 31, 2015 and 2014, the Partnership has a positive net working capital position of approximately $785,000 and $537,000, respectively, in order to manage liquidity risk. Accounts payable, current accrued commissions and referral fees, accrued expenses and other current liabilities are expected to be paid in the next twelve months, with the exception of long-term commissions.

d. Interest Rate Risk

Interest rate risk is the risk that the fair value and cash flows associated with the Partnership's interest bearing financial assets and liabilities will fluctuate due to change in market interest rates. As at December 31, 2015, the Partnership is not exposed to any interest rate risk.

18. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through May 13, 2016, the date which these financial statements were available to be issued. Except as disclosed herein, no adjusting or significant non-adjusting events have occurred between the reporting date and the date of issue.

19. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2015 (including comparatives) were authorized for issue on May 13, 2016 by management.