Brightergy, LLC and Subsidiaries and Affiliates

Combined Financial Report
December 31, 2014

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McGladrey

Assurance ▪ Tax ▪ Consulting

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Independent Auditor's Report

To the Members of
Brightergy, LLC and Subsidiaries and Affiliates
Kansas City, Missouri

Report on the Financial Statements
We have audited the accompanying combined financial statements of Brightergy, LLC and Subsidiaries and Affiliates, which comprise the combined balance sheets as of December 31, 2014 and 2013, and the related combined statements of income, members' equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined 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 audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Basis for Qualified Opinion
As described in Note 1 to the financial statements, the Company has recognized federal tax credits from qualified solar systems as revenue for the year ended December 31, 2014, with a corresponding increase to other assets. Accounting principles generally accepted in the United States of America would not reflect these tax credits in these financial statements. Accordingly, revenues, net income, total assets and members' equity each would decrease by $4,191,816 for the year ended December 31, 2014.

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Qualified Opinion
In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the combined financial statements referred to above present fairly, in all material respects, the financial position of Brightergy, LLC and Subsidiaries and Affiliates as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Kansas City, Missouri
April 3, 2015

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Brightergy, LLC and Subsidiaries and Affiliates

Combined Balance Sheets
December 31, 2014 and 2013

Assets (Note 5)	**2014**	2013
Current Assets		
Cash and cash equivalents	**$ 8,329,802**	$ 8,673,073
Accounts receivable, net of allowance for doubtful accounts, 2014—$250,331 and 2013—$374,986	**3,154,328**	14,207,302
Inventories:		
Materials	**2,510,618**	2,342,372
Work in process	**1,792,511**	2,673,589
Current maturities of notes receivable	**36,178**	39,271
Net investment in sales-type leases, current portion (Note 2)	**947,613**	307,477
Prepaid expenses and other	**265,303**	809,556
Total current assets	**17,036,353**	29,052,640
Leasehold Improvements and Equipment, net (Notes 3 and 6)	**496,235**	620,770
Other Assets		
Notes receivable, less current maturities, net of allowance for doubtful accounts, 2014—$114,140 and 2013—$134,865	**603,780**	601,573
Net investment in sales-type leases, net of current portion (Note 2)	**8,911,148**	4,378,934
Deposits	**4,508**	5,708
Computer software—marketed for use	**878,223**	-
Goodwill	**508,381**	508,381
Intangibles (Note 4)	**309,329**	-
Undistributed flow through tax credits (Note 1)	**4,191,816**	-
	15,407,185	5,494,596
	$ 32,939,773	$ 35,168,006

Liabilities and Members' Equity

	2014	2013
Current Liabilities		
Line of credit (Note 5)	**$ 3,657,270**	$ 10,986,498
Current maturities of long-term debt (Note 5)	**999,730**	63,647
Accounts payable	**3,431,439**	8,565,757
Accrued expenses (Note 8)	**741,107**	713,950
Customer deposits	**629,427**	2,013,334
Total current liabilities	**9,458,973**	22,343,186
Long-Term Debt, less current maturities (Note 5)	**3,745,669**	120,525
Deferred Maintenance Liability	**192,035**	87,685
Exit and Disposal Cost Liability	**748,835**	288,213
Total liabilities	**14,145,512**	22,839,609
Commitments (Notes 7 and 10)		
Members' Equity (Note 8)	**18,794,261**	12,328,397
	$ 32,939,773	$ 35,168,006

See Notes to Combined Financial Statements.

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Brightergy, LLC and Subsidiaries and Affiliates

Combined Statements of Income
Years Ended December 31, 2014 and 2013

	2014	2013
Sales:		
Cash and financed	**$ 12,704,958**	$ 16,636,781
Sales-type leases	**30,181,242**	13,013,034
Operating leases	**3,300**	1,925
Total sales	**42,889,500**	29,651,740
Costs of sales	**26,022,309**	17,037,857
Gross profit	**16,867,191**	12,613,883
Operating expenses:		
Selling and marketing	**3,848,823**	3,097,674
General and administrative	**4,972,648**	3,796,909
Depreciation and amortization	**194,312**	155,495
Fees paid to related party (Note 9)	**585,421**	90,000
	9,601,204	7,140,078
Income from operations	**7,265,987**	5,473,805
Financial income (expense):		
Interest income	**615,993**	135,848
Interest expense	**(225,928)**	(202,485)
	390,065	(66,637)
Net income	**$ 7,656,052**	$ 5,407,168

See Notes to Combined Financial Statements.

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Brightergy, LLC and Subsidiaries and Affiliates

Combined Statements of Members' Equity
Years Ended December 31, 2014 and 2013

	Preferred Units		Common Units Class A		Common Units Class B		Common Units Class C		Common Units Class D		Retained Earnings	Total Members' Equity
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount		
Balance, December 31, 2012	2,500	$ 2,315,000	9,000	$ 390,000	2,078	$ 15,000	2,250	$ -	1,000	$ -	$ 2,444,244	$ 5,164,244
Issuance of preferred units	2,500	2,510,000	-	-	-	-	-	-	-	-	-	2,510,000
Distributions	-	-	-	-	-	-	-	-	-	-	(843,015)	(843,015)
Net income	-	-	-	-	-	-	-	-	-	-	5,497,168	5,497,168
Balance, December 31, 2013	5,000	4,825,000	9,000	390,000	2,078	15,000	2,250	-	1,000	-	7,098,397	12,328,397
Distributions	-	-	-	-	-	-	-	-	-	-	(1,190,188)	(1,190,188)
Net income	-	-	-	-	-	-	-	-	-	-	7,656,052	7,656,052
Balance, December 31, 2014	**5,000**	**$ 4,825,000**	**9,000**	**$ 390,000**	**2,078**	**$ 15,000**	**2,250**	**$ -**	**1,000**	**$ -**	**$ 13,564,261**	**$ 18,794,261**

See Notes to Combined Financial Statements.

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Brightergy, LLC and Subsidiaries and Affiliates

Combined Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Net income	**$ 7,656,052**	$ 5,497,168
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	**166,191**	155,495
Amortization	**28,121**	-
Loss on disposal of equipment	**-**	38,767
Flow through credits recognized as revenue	**(4,191,816)**	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	**11,052,974**	(5,999,931)
Inventories	**712,832**	(2,049,723)
Notes receivable	**886**	92,359
Sales-type leases	**(5,172,350)**	(2,981,306)
Prepaid expenses and other	**544,253**	(721,648)
Increase (decrease) in:		
Accounts payable	**(5,134,318)**	2,774,804
Accrued expenses and other liabilities	**592,129**	581,730
Customer deposits	**(1,383,907)**	1,177,414
Net cash provided by (used in) operating activities	**4,871,047**	(1,434,871)
Cash Flows From Investing Activities		
Purchases of property and equipment	**(111,819)**	(290,788)
Software development costs	**(808,060)**	-
Acquisition of intangibles	**(337,450)**	-
Decrease in deposits	**1,200**	50
Net cash (used) in investing activities	**(1,256,129)**	(290,738)
Cash Flows From Financing Activities		
Proceeds from issuance of preferred units	**-**	2,510,000
Distributions	**(1,190,188)**	(793,015)
Net borrowings (principal payments) on line of credit	**(7,329,228)**	6,662,803
Proceeds from issuance of long-term debt	**5,000,000**	-
Principal payments on long-term debt	**(438,773)**	(424,163)
Net cash provided by (used in) financing activities	**(3,958,189)**	7,955,625
Net increase (decrease) in cash and cash equivalents	**(343,271)**	6,230,016
Cash and Cash Equivalents		
Beginning	**8,673,073**	2,443,057
Ending	**$ 8,329,802**	$ 8,673,073
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	**$ 218,487**	$ 193,020

See Notes to Combined Financial Statements.

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Note 1. Nature of Business and Significant Accounting Policies

Brightergy, LLC and Subsidiaries and Affiliates (the Company or Brightergy) is a new kind of energy company changing the way businesses, schools, cities and nonprofits manage energy. The Company pairs innovative solutions with proprietary financing that empowers clients to take control of energy, turn a liability into an asset, and ultimately save both dollars and emissions. The Company accomplishes this through a combination of energy projects, energy services, and energy intelligence software. The Company is headquarted in Kansas City, Missouri, and has offices in St. Louis, Missouri, and Boston, Massachusetts. The Company was formed in October 2010 and began operations effective November 1, 2010, with the acquisition of The Energy Savings Store. Brightergy, LLC and Subsidiaries and Affiliates have been organized under Missouri law as limited liability companies with a perpetual duration.

A summary of the Company's significant accounting policies follows.

Principles of combination: The combined financial statements include the accounts of Brightergy, LLC and its wholly owned subsidiaries, which include Brightergy Procurement, LLC and Brightergy Leasing, LLC. Also included in the financial statements are affiliates related by common ownership, Solar Ocean 1, LLC and Solar Fish 1, LLC, which are combined in these financial statements. All significant intercompany transactions and accounts are eliminated in combination.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At times, the Company maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and feels the Company's risk is negligible.

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on past-due accounts receivable.

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Note 1. Nature of Business and Significant Accounting Policies (Continued)

Notes receivable: Notes receivable are stated at unpaid principal balance, less an allowance for losses. Interest on notes is recognized over the term of the note and is calculated using the simple-interest method on principal amounts outstanding. The notes receivable associated with the sale of the solar energy systems generally consists of the sales price of the system purchased, less the customer's down payment. Interest income is recognized each time a customer makes a payment, generally on a monthly basis. The Company has established an allowance for credit losses for installment notes receivable. The policy for determining the allowance is based on delinquency status, the value of the underlying collateral, current economic conditions that may affect the borrower's ability to pay, and historical loss experience. Management reviews the analysis of the payments and collections of the installment notes receivable within the previous year. The Company believes allowances are adequate to absorb any known or probable losses. The policy is to charge off installment notes and loan receivables that are 180 days or more past due. Payments not collected on or before their scheduled payment, generally monthly, are considered past due. Charge-offs are applied as a reduction to the allowance for credit losses, and any recoveries of previously charged-off balances are applied as an increase to the allowance for credit losses.

The notes receivable represent financing arrangements to customers. At December 31, 2014, notes bear interest at rates from 1 percent to 3 percent and range in maturity from 10 to 25 years. The note agreements are collateralized by the value of the installed units. At December 31, 2014, past-due installments totaled approximately $23,000. The loan portfolio at December 31, 2014, includes approximately $163,000 of loans with past-due payments of greater than 90 days.

Net investment in sales-type leases: Net investment in sales-type leases is carried at original invoice amount, less prior principal payments received and less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful receivables by regularly evaluating individual lease receivables and considering a customer's financial condition, credit history, current economic conditions and the value of the leased property. At December 31, 2014 and 2013, management has determined no allowance for doubtful receivables is necessary for sales-type leases. Lease receivables are written off based on individual credit evaluations and specific circumstances of the lessee. Upon the write-off, the Company takes possession of the collateral, which is the equipment under lease.

Interest income is recorded as the payment is received. No interest income is accrued on past-due payments. Payments are considered past due after their scheduled payment date.

Operating leases: Under the operating method of accounting for leases, cost of the equipment is recorded as an asset and is depreciated over its estimated useful life, and the rental income is recognized ratably as the lease rental payments are earned. Local utility rebates received are deferred and recognized over the term of the lease agreement.

Inventories: Inventories consist primarily of solar panel modules, inverters and LED lighting to be used in project installations. Inventories are valued at the lower of cost or market, determined using a specific identification method. Under the specific identification method, each unit of inventory purchased for resale is identified and accounted for by its invoice. Work in process represents installations in progress and includes materials and labor on the uncompleted jobs.

Leasehold improvements and equipment: Leasehold improvements and equipment is stated at cost less accumulated depreciation. Vehicles under capital leases are initially recorded at the present value of minimum lease payments at the inception of the lease. Amortization of capital leases is included in depreciation expense. Depreciation commences when the assets are placed in service on a straight-line basis over the estimated useful lives of the assets.

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Note 1. Nature of Business and Significant Accounting Policies (Continued)

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing leasehold improvements and equipment, are capitalized and depreciated. Upon retirement or disposition of leasehold improvements and equipment, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the combined statement of income. Estimated useful lives of the assets are as follows:

Software, computers and hardware	3 years
Vehicles	5 years
Equipment and furniture	7–10 years
Leasehold improvements	Lesser of useful life or remaining lease term
Equipment under operating leases	30 years

Computer software—marketed for use: Computer software—marketed for use consists of capitalized costs for expenses incurred in creating and developing computer software products to be sold or marketed to others. Once technology feasibility has been established the costs associated with software development are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. Capitalized costs are amortized based on estimated current and future revenue for each product. Amortization begins when the software is available for general release. As of December 31, 2014, the software was not available for general release.

Research and development costs for computer software are expensed as incurred. Software development costs expensed were $39,590 and $17,177 for the years ended December 31, 2014 and 2013, respectively.

Goodwill: The goodwill represents the excess purchase price over the fair value of net assets acquired. Goodwill is tested annually for impairment, or sooner when circumstances indicate an impairment may exist. The Company has elected to perform its annual analysis during the fourth quarter. The Company may elect to first perform a qualitative assessment, based on relevant events and circumstances, to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. No indicators of impairment were identified for the years ended December 31, 2014 or 2013,

Intangibles: Intangibles consist of acquired customer contractual relationships. The customer contractual relationships are being amortized over five years.

Fair value measurements: The Financial Accounting Standards Board's (FASB) authoritative guidance on fair value measurements establishes a framework for measuring fair value and disclosures about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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Note 1. Nature of Business and Significant Accounting Policies (Continued)

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The Company utilizes Level 3 inputs in determining the fair value of the reporting unit when using qualitative analysis for goodwill impairment testing. The fair value was calculated based upon discounted cash flows. These projections incorporate management's assumptions about future cash flows based upon past experience and future expectations. The expected cash flows are then discounted using a 21 percent discount rate that the Company believes is commensurate with the risks involved.

Impairment of long-lived assets policy: The Company assesses the impairment of long-lived assets by comparison of the carrying amounts to the projected future undiscounted cash flows to be derived from the related assets. An impairment loss is recognized if the carrying amount of the asset is not fully recoverable and exceeds its fair value.

Deferred maintenance liability: The Company records the maintenance portion of the monthly lease payments received under sales-type leases as deferred maintenance liability and charges the actual cost of maintenance against this liability. The liability originates as the maintenance revenue is recognized evenly over the lease term, while most maintenance costs are expected to be incurred in the latter stages of the lease term, as the underlying equipment ages. The liability is adjusted as further information develops or cost estimates change.

Exit and disposal cost liability: The Company accrues the estimated costs associated with removing leased systems at the end of the lease term. Accruals for such costs are recorded at the inception of the lease. The liability is adjusted as further information develops or cost estimates change. Costs of future expenditures for removing and disposing of the systems are discounted to their present value using a rate of 2.5 percent.

Stock-based compensation: Compensation cost relating to share-based payment transactions, including grants of employer membership interest, is recognized in the combined financial statements. That cost is measured based on the fair value of the equity or liability instruments issued over the period the employee is required to provide services for the award.

Revenue recognition: Revenue is recognized when all the following recognition criteria have been met; persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.

Revenue from solar system sales is recognized upon completion of the installation; power generation is demonstrated to the customer; and the system is available for use. Revenue from LED system sales is recognized upon the completion of the installation; the project has passed inspection; and the system is available for use. Revenue from services rendered, unrelated to project installations, is recognized as the services are rendered.

Revenues include proceeds from local utility incentives and federal grants. The Company considers local utility rebates to be part of the consideration received under its sales-type leases. Federal grants associated with sales-type leases totaled $3,634,552 and $3,807,657 for the years ended December 31, 2014 and 2013, respectively.

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Note 1. Nature of Business and Significant Accounting Policies (Continued)

Presentation of flow through credits: The Company receives federal tax credits from installed solar systems that flow through to the Company's owners under the Company's tax structure. Under generally accepted accounting principles these credits would not be reflected in these financial statements. The credits impact the financial statements only in that the Company does reduce its tax distributions to members by the amount of these flow through credits. The Company has elected to reflect these credits as revenue and other assets in the accompanying 2014 financial statements. The undistributed flow through tax credits will be distributed to the members in 2015. Accordingly revenue (sales-type leases), net income, total assets, and members' equity are overstated by $4,191,816 from amounts that would be presented under generally accepted accounting principles.

Advertising costs: Advertising costs are expensed when incurred. Total advertising costs for the years ended December 31, 2014 and 2013, were approximately $118,000 and $240,000, respectively.

Income taxes: The Company, with the consent of its owners, has elected to be taxed under sections of federal and state income tax law which provide that, in lieu of corporation income taxes, the owners will separately account for their pro rata share of the Company's income, deductions, losses and credits. As a result of this election, no income taxes have been recognized in the accompanying financial statements. The Company intends to distribute at least amounts sufficient to cover the members' tax liability on the members' proportionate income.

Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustments to the combined financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.

Reclassification: Certain items in the financial statements for the year ended December 31, 2013 were reclassified with no effect on net income or members' equity to be consistent with the classifications used on the December 31, 2014 financial statements.

Subsequent events: The Company has evaluated subsequent events through April 3, 2015, which is the date the combined financial statements were available to be issued.

Recently issued accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2017. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the combined financial statements.

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Note 2. Sales-Type and Operating Leases

The Company's leasing operations include leasing under sales-type leases expiring in various years through 2035. A majority of the leases are with not-for-profit entities. Following is a summary of the Company's net investment in sales-type leases at December 31, 2014 and 2013:

	2014	2013
Total minimum lease payments to be received	$ 22,638,150	$ 10,401,575
Less estimated executory costs (property taxes, insurance and maintenance), included in the total minimum lease payments	(4,256,608)	(3,541,833)
Minimum lease payments receivable	18,381,542	6,859,742
Less allowance for estimated uncollectible lease payments	-	-
Net minimum lease payments receivable	18,381,542	6,859,742
Add estimated residual values of leased equipment	7,308,360	3,007,702
(Deduct) unearned lease income	(15,831,141)	(5,181,033)
Net investment in sales-type leases	$ 9,858,761	$ 4,686,411

At December 31, 2014, the minimum future lease payments due under the sales-type leases are as follows:

Years Ending December 31,	
2015	$ 1,145,887
2016	1,166,381
2017	1,174,757
2018	1,183,314
2019	1,164,060
During the remaining term of the leases	12,547,143
Total minimum future lease payments	$ 18,381,542

At December 31, 2014, no monthly payments were past due.
The composition of the Company's investment in equipment under operating leases at December 31, 2014, is as follows:

	2014	2013
Solar equipment	$ 187,200	$ 187,200
Less accumulated depreciation	(9,880)	(3,640)
	$ 177,320	$ 183,560

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Note 2. Sales-Type and Operating Leases (Continued)

At December 31, 2014, the minimum future lease payments on equipment under operating leases are as follows:

Years Ending December 31,		
2015	$	3,300
2016		3,300
2017		3,300
2018		3,300
2019		3,300
Thereafter		42,157
	$	58,657

Note 3. Leasehold Improvements and Equipment

Leasehold improvements and equipment as of December 31, 2014 and 2013, consists of the following:

		2014		2013
Software, computers and hardware	$	132,539	$	147,162
Vehicles		339,923		339,923
Equipment and furniture		177,363		143,505
Leasehold improvements		22,421		-
Equipment under operating lease		187,200		187,200
Total cost		859,446		817,790
Less accumulated depreciation		(363,211)		(197,020)
Leasehold improvements and equipment, net	$	496,235	$	620,770

Note 4. Intangibles

On July 31, 2014, the Company entered into an asset purchase agreement to acquire energy management contracts and related software. No liabilities were assumed in the transaction. The purchase price was $10,000, paid in cash at closing, plus EBITDA generated by the purchased assets for the twelve month period commencing on the closing date. The purchased assets along with associated transaction costs incurred with the transaction have been capitalized and are being amortized over a five year period.

On August 27, 2014, the Company entered into an asset purchase agreement with the same company to acquire service and consulting agreements and all commissions pertaining to the foregoing contracts. No liabilities were assumed in the transaction. The purchase price was equal to $350,000, paid in cash at closing, plus 50 percent of aggregate commissions earned on the purchased contracts exceeding the stated commission threshold as outlined in the asset purchase agreement. The purchased assets along with associated transaction costs incurred with the transaction have been capitalized and are being amortized over a five year period.

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Note 4. Intangibles (Continued)

Following is a detail of the contractual customer relationships acquired in the acquisition of the business discussed above:

	December 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period
Amortized Intangibles:				
Contractual customer relationships	$ 337,450	$ 28,121	$ 309,329	5 years

Amortization expense recognized on all amortized acquired intangible assets totaled $28,121 for the year ended December 31, 2014. Estimated aggregate amortization expense on amortized acquired intangible assets for each of the next five years and thereafter is as follows:

Years Ending December 31,	
2015	$ 67,490
2016	67,490
2017	67,490
2018	67,490
2019	39,369
	$ 309,329

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Note 5. Pledged Assets, Line of Credit and Long-Term Debt

Line of credit: During 2014, the Company entered into a $10,000,000 revolving line of credit that matures in July 2015. Borrowings are limited to 80 percent of eligible accounts receivable, plus 50 percent of eligible inventory (up to $2,500,000), plus 75 percent of eligible lease receivables. Interest varies based on the prime rate less 0.25 percent (the rate at December 31, 2014 was 3 percent). At December 31, 2014, the cash advances outstanding under the line of credit were $3,657,270. (A)

At December 31, 2013 the Company had an $11,000,000 due on demand, revolving line of credit that was fully paid and closed in July 2014. Borrowings were limited to 80 percent of eligible accounts receivable, plus 50 percent of eligible inventory (up to $1,000,000), plus 90 percent of rebates from a utility provider, plus 90 percent of federal grants from the federal government. Interest varied based on the prime rate index (the rate at December 31,2013 was 3.25 percent). At December 31, 2013, the cash advances outstanding under the line of credit were $10,986,498. The line was secured by substantially all of the Company's assets and was fully guaranteed by the Company's majority equity holder. The agreement was subject to a tangible net worth financial covenant.

Note 5. Pledged Assets, Line of Credit and Long-Term Debt (Continued)

Long-term debt: Long-term debt consists of the following at December 31, 2014 and 2013:

	2014	2013
Capital lease obligations (see Note 6)	$ 125,864	$ 184,172
Note payable to a bank, interest at 4.25 percent, monthly principal and interest payments of $92,796 through maturity in July 2019. (A)	4,619,535	-
	4,745,399	184,172
Less current maturities	(999,730)	(63,647)
	$ 3,745,669	$ 120,525

Aggregate maturities on long-term debt as of December 31, 2014, are as follows:

Years Ending December 31,	
2015	$ 999,730
2016	1,037,282
2017	1,018,132
2018	1,062,256
2019	627,999
	$ 4,745,399

(A) The aforementioned credit agreements are secured by substantially all of the Company's assets and an assignment of a $3,000,000 life insurance policy on the life of the Company's majority equity holder. The agreement is subject to financial covenants which include minimum tangible net worth and maximum leverage ratio.

Note 6. Capital Leases

Leasehold improvements and equipment include the following assets under capital leases at December 31, 2014 and 2013:

	2014	2013
Vehicles	$ 255,737	$ 255,737
Less accumulated depreciation	(135,753)	(71,819)
	$ 119,984	$ 183,918

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Note 6. Capital Leases (Continued)

Capital leases included in long-term debt cover certain vehicles with three- to five-year original terms, expiring through October 2016. At December 31, 2014, future minimum lease payments are as follows:

Years Ending December 31,	
2015	$ 65,464
2016	61,709
Future minimum lease payments	127,173
Less amounts representing interest	(1,309)
	$ 125,864

Note 7. Lease Commitments

The Company is obligated under noncancelable operating leases that expire in various years through 2019. The following is a schedule, by year, of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2014:

Years Ending December 31,	
2015	$ 277,422
2016	224,538
2017	225,738
2018	186,138
2019	186,138
	$ 1,099,974

Total rent expense under operating leases for the years ended December 31, 2014 and 2013, was approximately $191,000 and $192,000, respectively.

Note 8. Equity

Under the terms of the Company's operating agreement, ownership interests in the Company consist of 5,000 authorized preferred units, 9,000 authorized Class A common units, 2,078 Class B common units, 2,250 Class C common units and 1,000 Class D common units.

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Note 8. Equity (Continued)

Preferred units: 2,500 preferred units as of December 31, 2014 and 2013, are entitled to receive cash distributions at the rate of 12 percent per annum, payable on a quarterly basis to the extent of the Company's available cash. Any unpaid preferred quarterly return amounts accumulate. If unpaid quarterly returns accumulate for more than 270 days, the preferred rate of return increases to 16 percent. At December 31, 2014 and 2013, accumulated, unpaid preferred returns totaled $75,000 and are included in accrued expenses on the combined balance sheets. These preferred units are subject to a put option, exercisable on the earliest of the 90-day period commencing as of December 31, 2016, a liquidity event or a specific equity financing situation defined in the investment and operating agreement between the Company and the holder of the units. Under the put option, the holder retains the right to require the Company to repurchase all of the preferred units and common units they own. The purchase price of the preferred units shall be equal to their liquidation preferences. The purchase price of the common units shall be the holder's proportionate percentage of a calculated value, further defined in the investment and operating agreement. The preferred units are nonvoting, but the holder is entitled to appoint two of the nine managers of the Company while the units are outstanding. Should the Company default under the investment agreement, the preferred holders could elect a majority of the managers. The investment agreement also contains covenants limiting the Company's ratio of indebtedness to net worth and maximum capital commitments.

The other 2,500 preferred units as of December 31, 2014 and 2013, are entitled to receive cash distributions at the cumulative rate of 8 percent per annum, paid on a quarterly basis on the last day of the fiscal quarter to the extent of the Company's available cash. Any unpaid preferred quarterly return amounts accumulate. If unpaid quarterly returns accumulate for more than 270 days, the preferred rate of return increases to 12 percent. At December 31, 2014, accumulated, unpaid preferred returns totaled $50,000 and are included in accrued expenses on the combined balance sheet. These preferred units are subject to a put option, exercisable on the earliest of (i) on or after September 24, 2018, (ii) during the 90-day period commencing on the earliest of (a) a liquidity event or (b) a put triggering financing as defined in the investment agreement or (iii) if there is an accelerating event under the preferred unit agreement discussed above, the holder shall have the right to require the Company to repurchase all of the preferred units. The purchase price is based on a formula set forth in the agreement. The holder of the units also has an option to acquire Class B common units representing up to an 11 percent common equity interest in the Company for up to $3 million on or before September 24, 2015, and also to convert the preferred units to Class B common units on or before this date if an alliance agreement between the parties has been terminated. The agreement also contains an option for the Company to repurchase the preferred units and any Class B common units held by the holder on or after September 24, 2018. The purchase price is based on a formula set forth in the agreement. The preferred units are nonvoting, but the holder is entitled to appoint two of the nine managers of the Company while the units are outstanding. The investment agreement contains a covenant limiting the Company's ratio of indebtedness to net worth.

All preferred units have a liquidation preference of $1,000 per unit plus any accumulated and unpaid preferred annual return. The liquidation preference at December 31, 2014 is $5,125,000.

Common units: Common units consist of Class A, B, C and D interests. Class A and Class B members are entitled to one vote per common unit outstanding. Class C and Class D members have no voting rights. Class C and D units are "profits interests" whereby they share only in the profits of the Company subsequent to issuance. Accordingly, if the Company were liquidated immediately after the issuance of the units, they would not share in the amounts available for distribution.

Stock-based compensation: The Company's current operating agreement authorizes the issuance of up to 2,250 Class C units to employees of the Company. 2,250 units were issued in 2012. In 2014 and 2013, no Class C units were issued.

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Note 9. Related-Party Transactions

The Company has an affiliation agreement with a member whereby it utilizes the member for certain subcontract labor on solar installations. By agreement, amounts paid to the subcontractor are above market rates. Management charges what it believes are market rates to cost of sales and accumulates the excess payments as a separate expense. Total amounts paid to the member for the year ended December 31, 2014 were $1,980,499 of which $495,421 was considered above market. Under the agreement, such above market payments are capped at $750,000. Also included in fees paid to related party are consulting fees. Total consulting fees paid were $90,000 for the years ended December 31, 2014 and 2013.

Note 10. Solar Energy Systems Performance Guarantees

In a select number of leases, the Company guarantees certain specified minimum solar energy production output for systems leased to customers. The Company monitors the solar energy systems to ensure that these outputs are being achieved. The Company believes that the systems as designed are capable of producing the minimum capacity guaranteed. The Company evaluates if any amounts are due to its customers. At December 31, 2014 and 2013, no liability has been recorded in the financial statements relating to these guarantees based on the Company's assessment of its exposure.

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