

WorldEnergy

Secretary of the Commission
Keystone Building
400 North Street
2nd Floor, Room N201
Harrisburg, PA 17120

RECEIVED

JUN 25 2014

June 25, 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Natural Gas Broker Application for World Energy Solutions, Inc.

Dear Sir/Madam:

Please find enclosed our signed and verified original application for a natural gas broker license in the Commonwealth of Pennsylvania. In line with the instructions, we have included a CD-ROM containing a searchable PDF version of our application as well as a check for \$350.00 to cover the application fee.

We are also providing one (1) copy of the application to the Office of Consumer Advocate, Small Business Advocate, Bureau of Consumer Protection, and Department of Revenue, Valley Energy Inc., UGI Central Penn, Peoples TWP LLC (formerly T.W. Phillips), UGI Penn Natural, PECO, Philadelphia Gas Works, National Fuel Gas Distribution Corp., Peoples Natural Gas Company LLC Peoples Division, UGI, Peoples Natural Gas Company LLC Equitable Division, and Columbia Gas of Pennsylvania, Inc.

Because World Energy Solutions, Inc. is filing as a broker of natural gas and not a Natural Gas Supplier, we have not completed Appendix B of the application.

If you or any member of the Commission have any questions regarding this application, or if you need any additional information, please do not hesitate to contact me at (508) 459-8173 at your earliest convenience.

Sincerely,



Cheryl Parker
Staff Attorney

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of World Energy Solutions, Inc., d/b/a World Energy Solutions, Inc., for approval to offer, render, furnish, or as a(n) Broker/Marketer engaged in the business of supplying natural gas services to the public in the Commonwealth of Pennsylvania.

To the Pennsylvania Public Utility Commission:

1. **IDENTITY OF THE APPLICANT:** The name, address, telephone number, and FAX number of the Applicant are:

World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: (508) 459-8100
Fax: (508) 459-8101

Please identify any predecessor(s) of the Applicant and provide other names under which the Applicant has operated within the preceding five (5) years, including name, address, and telephone number.

There are no other predecessor(s) of the Applicant under which the Applicant has operated within the preceding five (5) years.

2. a. **CONTACT PERSON:** The name, title, address, telephone number, and FAX number of the person to whom questions about this Application should be addressed are:

Cheryl Parker
Staff Attorney
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: (508) 459-8173
Fax: (508) 459-8101

- b. **CONTACT PERSON-PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY:** The name, title, address telephone number and FAX number of the person with whom contact should be made by PEMA:

Jonathan Harvey
VP, Government
1215 19th Street, NW
Washington, DC 20036
Office: 202-467-4182
Mobile: 703-795-8927
Fax: 508-459-8101

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- 3.a. **ATTORNEY:** If applicable, the name, address, telephone number, and FAX number of the Applicant's attorney are:

**Cheryl Parker
Staff Attorney
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: (508) 459-8173
Fax: (508) 459-8100**

- b. **REGISTERED AGENT:** If the Applicant does not maintain a principal office in the Commonwealth, the required name, address, telephone number and FAX number of the Applicant's Registered Agent in the Commonwealth are:

**National Registered Agents, Inc.
600 North Second Street, Suite 401
Harrisburg, PA 17101
Phone: 717 234-2300
Fax: 717 238-8232**

4. **FICTITIOUS NAME:** (select and complete appropriate statement)

☐ The Applicant will be using a fictitious name or doing business as ("d/b/a"):

Attach to the Application a copy of the Applicant's filing with the Commonwealth's Department of State pursuant to 54 Pa. C.S. §311, Form PA-953.

or

X The Applicant will not be using a fictitious name.

5. **BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:** (select and complete appropriate statement)

☐ The Applicant is a sole proprietor.

If the Applicant is located outside the Commonwealth, provide proof of compliance with 15 Pa. C.S. §4124 relating to Department of State filing requirements.

or

☐ The Applicant is a:

- ☐ domestic general partnership (*)
- ☐ domestic limited partnership (15 Pa. C.S. §8511)
- ☐ foreign general or limited partnership (15 Pa. C.S. §4124)

- ☐ domestic limited liability partnership (15 Pa. C.S. §8201)
- ☐ foreign limited liability general partnership (15 Pa. C.S. §8211)
- ☐ foreign limited liability limited partnership (15 Pa. C.S. §8211)

Provide proof of compliance with appropriate Department of State filing requirements as indicated above.

Give name, d/b/a, and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.

- ☐ * If a corporate partner in the Applicant's domestic partnership is not domiciled in Pennsylvania, attach a copy of the Applicant's Department of State filing pursuant to 15 Pa. C.S. §4124.

or

☐ The Applicant is a:

- ☐ domestic corporation (none)
- ☒ **foreign corporation (15 Pa. C.S. §4124)**
- ☐ domestic limited liability company (15 Pa. C.S. §8913)
- ☐ foreign limited liability company (15 Pa. C.S. §8981)
- ☐ Other _____

Provide proof of compliance with appropriate Department of State filing requirements as indicated above. Additionally, provide a copy of the Applicant's Articles of Incorporation.

Give name and address of officers.

Philip Adams	CEO	100 Front Street, 20th Floor Worcester, MA 01608	(508) 459 8100
James Parslow	CFO	100 Front Street, 20th Floor Worcester, MA 01608	(508) 459 8100
Martha Danly	COO	100 Front Street, 20th Floor Worcester, MA 01608	(508) 459 8100

World Energy Solutions, Inc. is incorporated in the state of Delaware.

6. AFFILIATES AND PREDECESSORS WITHIN PENNSYLVANIA: (select and complete appropriate statement)

☐ Affiliate(s) of the Applicant doing business in Pennsylvania are:

Give name and address of the affiliate(s) and state whether the affiliate(s) are jurisdictional public utilities.

N/A

- ☐ Does the Applicant have any affiliation with or ownership interest in:
 - (a) any other Pennsylvania retail natural gas supplier licensee or licensee applicant,

- (b) any other Pennsylvania retail licensed electric generation supplier or license applicant,
- (c) any Pennsylvania natural gas producer and/or marketer,
- (d) any natural gas wells or
- (e) any local distribution companies (LDCs) in the Commonwealth

If the response to parts a, b, c, or d above is affirmative, provide a detailed description and explanation of the affiliation and/or ownership interest.

N/A

- ☐ Provide specific details concerning the affiliation and/or ownership interests involving:
- (a) any natural gas producer and/or marketers,
 - (b) any wholesale or retail supplier or marketer of natural gas, electricity, oil, propane or other energy sources.

N/A

- ☐ Provide the Pa PUC Docket Number if the applicant has ever applied:
- (a) for a Pennsylvania Natural Gas Supplier license, or
 - (b) for a Pennsylvania Electric Generation Supplier license.

The PA PUC Docket Number for World Energy Solutions, Inc.'s Electric Generation Supplier license is A-2009-2110946.

- ☐ If the Applicant or an affiliate has a predecessor who has done business within Pennsylvania, give name and address of the predecessor(s) and state whether the predecessor(s) were jurisdictional public utilities.

**World Energy Solutions, Inc.
100 Front Street, 20th floor
Worcester, MA 01608**

World Energy Solutions, Inc. is not a jurisdictional public utility.

World Energy Solutions, Inc. has been providing Energy Consulting Services to the Commonwealth of PA through the Department of General Services (Contract Number 4600009978) from April 2006 through March 2009. Natural Gas Procurements were part of the scope of work under this contract.

or

- ☐ The Applicant has no affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania.

7. APPLICANT'S PRESENT OPERATIONS: (select and complete the appropriate statement)

- ☐ The Applicant is presently doing business in Pennsylvania as a
- ☐ natural gas interstate pipeline.
 - ☐ municipal providing service outside its municipal limits.
 - ☐ local gas distribution company
 - ☐ retail supplier of natural gas services in the Commonwealth
 - ☐ a natural gas producer
 - ☒ **Other. (Identify the nature of service being rendered.)**

World Energy Solutions, Inc. had been providing Energy Consulting Services to the Commonwealth of PA through the Department of General Services (Contract Number 4600009978) from April 2006 through March 2009. Natural gas Procurements were part of the scope of work under this contract. World Energy Solutions, Inc. also acts as a Broker/Marketer engaged in the business of supplying electricity services in Pennsylvania and the PA PUC Docket Number for World Energy Solutions, Inc.'s Electric Generation Supplier license is A-2009-2110946.

or

☐ The Applicant is not presently doing business in Pennsylvania.

8. **APPLICANT'S PROPOSED OPERATIONS:** The Applicant proposes to operate as a:

- ☐ supplier of natural gas services.
- ☐ Municipal supplier of natural gas services.
- ☐ Cooperative supplier of natural gas services.
- ☒ **Broker/Marketer engaged in the business of supplying natural gas services.**
- ☐ Aggregator engaged in the business of supplying natural gas services.
- ☐ Other (Describe):

9. **PROPOSED SERVICES:** Generally describe the natural gas services which the Applicant proposes to offer.

World Energy Solutions, Inc.'s proposed service plans:

World Energy Solutions, Inc. is an energy brokerage company that has developed an online reverse auction platform, the World Energy Exchange®. We bring energy suppliers and commercial, industrial and government energy customers together in our virtual marketplace, often with the assistance of channel partners. Although our core competency is brokering electricity, we have adapted our World Energy Exchange platform to accommodate the brokering of natural gas, green power and energy related financial instruments, in response to customer demand. The World Energy Exchange is part of a complete end-to-end online energy procurement process that includes managing deals and tasks, providing market intelligence, developing RFPs, conducting auctions, analyzing results, assisting customers through the contracting process, and tracking customer energy contracts and usage history.

World Energy Solutions, Inc. does not take title to the electricity or bill customers. Customers award contracts to suppliers that have been licensed by the PA PUC. Customers pay the EGS suppliers directly and World Energy Solutions, Inc.'s fee is paid by the supplier.

10. **SERVICE AREA:** Provide each Natural Gas Distribution Company (NGDC) in which Applicant proposes to offer services.

World Energy Solutions, Inc. proposes to offer energy broker/marketer services in Pennsylvania on a statewide basis, including the following distribution areas: Valley Energy Inc.; UGI Central Penn; Peoples TWP LLC (formerly T.W. Phillips); UGI Penn Natural; PECO; Philadelphia Gas Works; National Fuel Gas Distribution Corp.; Peoples Natural Gas Company LLC Peoples Division; UGI; Peoples Natural Gas Company LLC Equitable Division; and Columbia Gas of Pennsylvania, Inc.

11. **CUSTOMERS:** Applicant proposes to initially provide services to:

- ☐ Residential Customers
- ☐ Commercial Customers - (Less than 6,000 Mcf annually)
- ☒ **Commercial Customers - (6,000 Mcf or more annually)**
- ☒ **Industrial Customers**
- ☒ **Governmental Customers**
- ☐ All of above
- ☐ Other (Describe):

12. **START DATE:** The Applicant proposes to begin delivering services on **the receipt of World Energy Solutions, Inc.'s license.** (approximate date).

13. **NOTICE:** Pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14, serve a copy of the signed and verified Application with attachments on the following:

Irwin A. Popowsky
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120-1921

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

William R. Lloyd, Jr.
Commerce Building, Suite 1102
Small Business Advocate
300 North Second Street
Harrisburg, PA 17101

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

Any of the following Natural Gas Distribution Companies through whose transmission and distribution facilities the applicant intends to supply customers:

Valley Energy Inc. Robert Crocker 523 South Keystone Avenue Sayre, PA 18840-0340 PH: 570.888-9664 FAX: 570.888.6199 email: rcrocker@ctenterprises.org	National Fuel Gas Distribution Corp. David D. Wolford 6363 Main Street Williamsville, NY 14221 PH: 716.857.7483 FAX: 716.857.7479 email: wolfordd@natfuel.com
UGI Central Penn David Beasten 2525 N. 12 th Street, Suite 360 Reading, PA 19612-2677 PH: 610.796.3425 FAX: 610.796.3559	Peoples Natural Gas Company LLC Peoples Division Lynda Petricevich 375 North Shore Drive, Suite 600 Pittsburgh, PA 15212 PH: 412.208.6528 FAX: 412.208.6577 email: Lynda.W.Petricevich@peoples-gas.com
Peoples TWP LLC (Formerly T. W. Phillips) Lynda Petricevich 375 North Shore Drive, Suite 600 Pittsburgh, PA 15212 PH: 412.208.6528 FAX: 412.208.6577 email: Lynda.W.Petricevich@peoples-gas.com	UGI David Beasten 2525 N. 12 th Street, Suite 360 Reading, PA 19612-2677 PH: 610.796.3425 FAX: 610.796.3559
UGI Penn Natural David Beasten 2525 N. 12 th Street, Suite 360 Reading, PA 19612-2677 PH: 610.796.3425 FAX: 610.796.3559	Peoples Natural Gas Company LLC Equitable Division Lynda Petricevich 375 North Shore Drive, Suite 600 Pittsburgh, PA 15212 PH: 412.208.6528 FAX: 412.208.6577 email: Lynda.W.Petricevich@peoples-gas.com
PECO Carlos Thillet, Manager, Gas Supply and Transportation 2301 Market Street, S9-2 Philadelphia, PA 19103 PH: 215.841.6452 email: carlos.thillet@exeloncorp.com	Columbia Gas of Pennsylvania Inc. Thomas C. Heckathorn 200 Civic Center Drive Columbus, OH 43215 PH: 614.460.4996 FAX: 614.460.6442 email: heckathorn@nisource.com
Philadelphia Gas Works Douglas Moser 800 West Montgomery Avenue Philadelphia, PA 19122 PH: 215.684.6899 email: douglas.moser@pgworks.com	

Pursuant to Sections 1.57 and 1.58 of the Commission's Regulations, 52 Pa. Code §§1.57 and 1.58, attach Proof of Service of the Application and attachments upon the above named parties. Upon review of the Application, further notice may be required pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14.

14. **TAXATION:** Complete the TAX CERTIFICATION STATEMENT attached as Appendix B to this application.
15. **COMPLIANCE:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application has been convicted of a crime involving fraud or similar activity. Identify all proceedings, by name, subject and citation, dealing with business operations, in the last five (5) years, whether before an administrative body or in a judicial forum, in which the Applicant, an affiliate, a predecessor of either, or a person identified herein has been a defendant or a respondent. Provide a statement as to the resolution or present status of any such proceedings.
- Neither World Energy Solutions, Inc., an affiliate, a predecessor of either, nor a person identified in this application have not been convicted of a crime involving fraud or similar activity.**
16. **STANDARDS, BILLING PRACTICES, TERMS AND CONDITIONS OF PROVIDING SERVICE AND CONSUMER EDUCATION:** All services should be priced in clearly stated terms to the extent possible. Common definitions should be used. All consumer contracts or sales agreements should be written in plain language with any exclusions, exceptions, add-ons, package offers, limited time offers or other deadlines prominently communicated. Penalties and procedures for ending contracts should be clearly communicated.
- a. **Contacts for Consumer Service and Complaints:** Provide the name, title, address, telephone number and FAX number of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints filed with Applicant, the Distribution Company, the Pennsylvania Public Utility Commission or other agencies.

**Cheryl Parker
Staff Attorney
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: (508) 459-8173
Fax: (508) 459-8101**

**Janet Loop
Market Director
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
Phone: (508) 459-8149
Fax: (508) 459-8100**

- b. Provide a copy of all standard forms or contracts that you use, or propose to use, for service provided to residential customers.

Not Applicable since World Energy Solutions, Inc. will not provide service to residential customers.

- c. If proposing to serve Residential and/or Small Commercial customers, provide a disclosure statement. A sample disclosure statement is provided as Appendix B to this Application.

Not Applicable since World Energy Solutions, Inc. will not provide service to residential customers and/or small commercial customers and World Energy Solutions, Inc. is not filling to be an electric generation supplier.

17. **FINANCIAL FITNESS:**

- A. Applicant shall provide sufficient information to demonstrate financial fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- Actual (or proposed) organizational structure including parent, affiliated or subsidiary companies.
See Appendix G.
- Published parent company financial and credit information.
World Energy Solutions, Inc. does not have a parent company
- Applicant's balance sheet and income statement for the most recent fiscal year. Published financial information such as 10K's and 10Q's may be provided, if available.
See Appendix H for World Energy Solutions, Inc.'s audited 10K for year ended December 31, 2013.
- Evidence of Applicant's credit rating. Applicant may provide a copy of its Dun and Bradstreet Credit Report and Robert Morris and Associates financial form or other independent financial service reports.
See Appendix I for a copy of World Energy Solutions Inc.'s Dun and Bradstreet Credit Report.
- A description of the types and amounts of insurance carried by Applicant which are specifically intended to provide for or support its financial fitness to perform its obligations as a licensee.
World Energy Solutions, Inc. carries the following business coverages:
 1. **General Liability:**
Each Occurrence: \$1,000,000
General Aggregate: \$2,000,000
 2. **Umbrella Liability:**
Each Occurrence & Policy Aggregate: \$5,000,000
 3. **Worker's Compensation:**
Employers Liability Limits: \$1,000,000
 4. **Professional Liability for Procurement Services:**
Policy Aggregate: \$5,000,000
 5. **Management Liability:**
Directors & Officers: \$10,000,000 for Each Occurrence and Policy Aggregate
Employment Practices: \$2,000,000
Fiduciary Liability: \$1,000,000

- Audited financial statements
See Appendix H for World Energy Solutions, Inc.'s audited 10K for year ended December 31, 2013.
- Such other information that demonstrates Applicant's financial fitness.
World Energy Solutions, Inc. has provided a copy of its audited 10K for year ended December 31, 2013 in Appendix H. In addition, a copy of World Energy Solutions, Inc.'s Dun and Bradstreet Credit Report has also been provided as Appendix I.

- B. Applicant must provide the following information:

- Provide proof of compliance with bonding/credit requirements for each NGDC the applicant is proposing to provide service in. This requirement is designated by each NGDC and can commonly be found in the NGDC supplier tariff.
- Identify Applicant's chief officers including names and their professional resumes.

Philip V. Adams, CEO

Mr. Adams was appointed our Chief Executive Officer and a director of our Company on June 6, 2012. He has served as our President since October 2007, and held the position of Chief Operating Officer from October 2003 to June 2012. Mr. Adams sets the strategic direction of the Company and manages its successful execution across the business. Prior to October 2003, Mr. Adams was a senior executive at software and internet companies including Go2 Market Momentum, LLC, Exchange Applications, Inc., Pegasystems, Inc., Corporate Software, Inc., Rowe Communications, Inc., and PC Connection, Inc. Mr. Adams also worked as a strategy consultant at Corporate Decisions, Inc., a company subsequently acquired by Mercer Consulting Inc.

Martha Danly, COO

Ms. Danly joined the Company in September 2012 and currently serves as our Chief Operating Officer, a position that she was appointed to by our Board of Directors on April 17, 2013. As Chief Operating Officer, she is responsible for leading company-wide operations, marketing, product management, software development, IT, and delivery of the World Energy Exchange®. She brings a passion for business models that provide scalable solutions to complete trading problems by combining proprietary technology platforms with highly sophisticated operations. With 30 years in the high-technology industry, Ms. Danly has held leadership positions in marketing and product strategy at a wide range of Silicon Valley startups focused on online trading, cloud computing, cleantech, social media, consumer video, and ad networks, including ShareThis, Green by Design, Turn, and Firefly Mobile. Known for bringing user-centric product design to emerging technologies, Ms. Danly helped pioneer two successful e-commerce platforms – the first online auction at Onsale and vertical B2B marketplaces at Ventro Corporation. Ms. Danly holds a B.A. in linguistics from Macalester College where she graduated summa cum laude and a Ph.D. in experimental psychology from Harvard University.

James Parslow, CFO

Mr. Parslow joined the Company in May 2006 and serves as our Chief Financial Officer, Treasurer and Secretary. As Chief Financial Officer, he is responsible for World Energy's financial strategy, as well as its day-to-day accounting operations. Mr. Parslow is a Certified Public Accountant in Massachusetts with more than 25 years of experience serving private and public companies in the alternative energy, online auction, and high-tech manufacturing industries. Prior to joining World Energy, he was Treasurer and CFO of Spire Corporation (NASDAQ: SPIR), a global solar company. He began his career at a major public accounting firm and served in several finance positions, including vice president of finance and administration, at public subsidiaries of Thermo Fisher Scientific, Inc. (NYSE: TMO), a \$10 billion global instrumentation company. Mr. Parslow holds an A.B. in Economics/Accounting from the College of the Holy Cross and an M.B.A. with a concentration in Finance from Bentley College.

- Provide the name, title, address, telephone number and FAX number of Applicant's custodian for its accounting records.

James Parslow

CFO

100 Front Street, 20th Floor

Worcester, MA 01608

Phone: (508) 459-8100

Fax: (508) 459-8101

18. **TECHNICAL FITNESS:** To ensure that the present quality and availability of service provided by natural gas utilities does not deteriorate, the Applicant shall provide sufficient information to demonstrate technical fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- The identity of the Applicant's officers directly responsible for operations, including names and their professional resumes.

Martha Danly, Chief Operating Officer

Ms. Danly joined the Company in September 2012 and currently serves as our Chief Operating Officer, a position that she was appointed to by our Board of Directors on April 17, 2013. As Chief Operating Officer, she is responsible for leading company-wide operations, marketing, product management, software development, IT, and delivery of the World Energy Exchange®. She brings a passion for business models that provide scalable solutions to complete trading problems by combining proprietary technology platforms with highly sophisticated operations. With 30 years in the high-technology industry, Ms. Danly has held leadership positions in marketing and product strategy at a wide range of Silicon Valley startups focused on online trading, cloud computing, cleantech, social media, consumer video, and ad networks, including ShareThis, Green by Design, Turn, and Firefly Mobile. Known for bringing user-centric product design to emerging technologies, Ms. Danly helped pioneer two successful e-commerce platforms – the first online auction at Onsale and vertical B2B marketplaces at Ventro Corporation. Ms. Danly holds a B.A. in linguistics from Macalester College where she graduated summa cum laude and a Ph.D. in experimental psychology from Harvard University.

Daniel P. Pugh, Vice President of Supply Management

Dan Pugh is Vice President of Supply Management for World Energy's commercial and industrial business. He is responsible for all new and existing supplier relationships, customer-specific energy purchasing and daily operational processes to manage all supply contracts. Dan has 15 years of experience in the energy industry, providing natural gas marketing and management services for large end users. Dan's experience includes major account procurement, contracting, transportation, risk management and storage arbitrage. Dan was an Energy Trader for AEP Energy Services for two years and prior to that was Market Coordinator with Enron Energy Services. Dan graduated Magna Cum Laude with a Bachelor's degree in Business Administration from The Ohio State University.

Tony Barnhart, Senior Vice President of Energy Sales

Tony is the Senior Vice President of Energy Sales with World Energy where he is instrumental in identifying and servicing the retail energy needs of industrial, commercial, and governmental energy consumers. He is a veteran of the energy industry with over 20 years of experience in the retail energy markets. Over the course of his career, Tony has held senior roles with several leading energy companies by consistently extending a proven track record of major accounts management, new revenue generation, developing and leading teams, and ensuring regulatory compliance. Tony holds a Bachelor of Business Administration degree from The Ohio State University.

- A copy of any Federal energy license currently held by the Applicant.

N/A

- Proposed staffing and employee training commitments.
World Energy Solutions, Inc. proposes to staff the PA operation with experienced Market Directors and Market Analysts. The Market Directors will be led by Dan Pugh.

Under the direction of the Dan Pugh, the Market Analysts and Market Directors will request usage data from the utilities; organize the usage data, track deal process and support as needed.

Training consists of attending supplier training given by local utility companies, becoming a certified energy procurement profession (CEP), attending PJM events and additional seminars on what is taking place in the PJM and PA markets.

- Business plans.

World Energy Solutions, Inc. is an energy brokerage company that has developed an online reverse auction platform, the World Energy Exchange ®. We bring energy suppliers and commercial, industrial and government energy customers together in our virtual marketplace, often with the assistance of channel partners. Although our core competency is brokering electricity, we have adapted our World Energy Exchange platform to accommodate the brokering of natural gas, green

power and energy related financial instruments, in response to customer demand. The World Energy Exchange is part of a complete end-to-end online energy procurement process that includes managing deals and tasks, providing market intelligence, developing RFPs, conducting auctions analyzing results, assisting customers through the contracting process, and tracking customer energy contracts and usage history

World Energy Solutions, Inc.'s experience:

- **World Energy Solutions, Inc. does not trade or ever take title or ownership of electricity or other energy commodity. World Energy Solutions, Inc. is an energy broker.**
- **World Energy Solutions, Inc. is the market share leader in North America, Having brokered over 174 billion KWH of electricity and four trillion cubic feet of natural gas.**
- **World Energy Solutions, Inc. runs a procurement exchange that is supplier-neutral. Our mission is to get the consumer the lowest price for their energy needs.**
- **World Energy Solutions, Inc. will not be billing retail customers so has not included a sample bill.**

World Energy Solutions, Inc.'s fee is paid for directly by the supplier.

19. **TRANSFER OF LICENSE:** The Applicant understands that if it plans to transfer its license to another entity, it is required to request authority from the Commission for permission prior to transferring the license. See 66 Pa. C.S. Section 2208(D). Transferee will be required to file the appropriate licensing application.

World Energy Solutions, Inc. understands that if it plans to transfer its license to another entity, it is required to request authority form the Commission for permission prior to transferring the license.

20. **UNIFORM STANDARDS OF CONDUCT AND DISCLOSURE:** As a condition of receiving a license, Applicant agrees to conform to any Uniform Standards of Conduct and Disclosure as set forth by the Commission.

World Energy Solutions, Inc. agrees to conform any Uniform Standards of Conduct and Disclosure as set forth by the Commission.

21. **REPORTING REQUIREMENTS:** Applicant agrees to provide the following information to the Commission or the Department of Revenue, as appropriate:

- a. **Reports of Gross Receipts:** Applicant shall report its Pennsylvania intrastate gross receipts to the Commission on an annual basis no later than 30 days following the end of the calendar year.

Applicant will be required to meet periodic reporting requirements as may be issued by the Commission to fulfill the Commission's duty under Chapter 22 pertaining to reliability and to inform the Governor and Legislature of the progress of the transition to a fully competitive natural gas market.

22. **FURTHER DEVELOPMENTS:** Applicant is under a continuing obligation to amend its application if substantial changes occur in the information upon which the Commission relied in approving the original filing.

World Energy Solutions, Inc. understands and agrees that it is under a continuing obligation to amend its application if substantial changes occur in the information upon which the Commission relied in approving the original filling.

23. **FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

World Energy Solutions, Inc. understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 PA. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

24. FEE: The Applicant has enclosed the required initial licensing fee of \$350.00 payable to the Commonwealth of Pennsylvania.

World Energy Solutions, Inc. has enclosed the required initial licensing fee of \$350.000 payable to the Commonwealth of Pennsylvania.

Applicant: Philip Adams
By: [Signature]
Title: CEO

RECEIVED

JUN 25 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

AFFIDAVIT

RECEIVED

[Commonwealth/State] of Massachusetts:

JUN 25 2014

ss.

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

County of Worcester:

Philip V. Adams, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/she is the Chief Executive Officer (Office of Affiant) of World Energy Solutions, Inc. (Name of Applicant);]

[That he/she is authorized to and does make this affidavit for said Applicant;]

That World Energy Solutions, Inc., the Applicant herein, acknowledges that [Applicant] may have obligations pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; or with other applicable statutes or regulations including Emergency Orders which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of doing business in Pennsylvania.

That World Energy Solutions, Inc., the Applicant herein, asserts that [he/she/it] possesses the requisite technical, managerial, and financial fitness to render natural gas supply service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

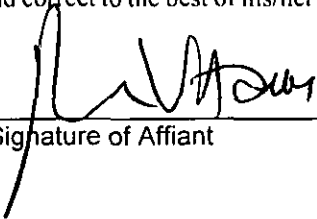
That World Energy Solutions, Inc., the Applicant herein, certifies to the Commission that it is subject to , will pay, and in the past has paid, the full amount of taxes imposed by Articles II and XI of the Act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Act of 1971 and any tax imposed by Chapter 22 of Title 66. The Applicant acknowledges that failure to pay such taxes or otherwise comply with the taxation requirements of, shall be cause for the Commission to revoke the license of the Applicant. The Applicant acknowledges that it shall report to the Commission its jurisdictional natural gas sales for ultimate consumption, for the previous year or as otherwise required by the Commission. The Applicant also acknowledges that it is subject to 66 Pa. C.S. §506 (relating to the inspection of facilities and records).

Applicant, by filing of this application waives confidentiality with respect to its state tax information in the possession of the Department of Revenue, regardless of the source of the information, and shall consent to the Department of Revenue providing that information to the Pennsylvania Public Utility Commission.

That World Energy Solutions, Inc., the Applicant herein, acknowledges that it has a statutory obligation to conform with 66 Pa. C.S. §506, and the standards and billing practices of 52 PA. Code Chapter 56.

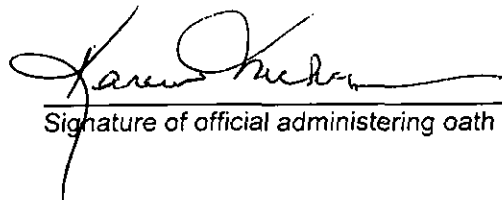
That the Applicant agrees to provide all consumer education materials and information in a timely manner as requested by the Commission's Office of Communications or other Commission bureaus. Materials and information requested may be analyzed by the Commission to meet obligations under applicable sections of the law.

That the facts above set forth are true and correct/true and correct to the best of his/her knowledge, information, and belief.



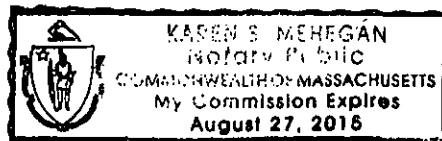
Signature of Affiant

Sworn and subscribed before me this 25th day of June, 192014.



Signature of official administering oath

My commission expires 8/27/15.



AFFIDAVIT

[Commonwealth/State] of Massachusetts:

ss.

County of Worcester:

Philip V. Adams, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/she is the Chief Executive Officer (Office of Affiant) of World Energy Solutions, Inc. (Name of Applicant);]

[That he/she is authorized to and does make this affidavit for said Applicant;]

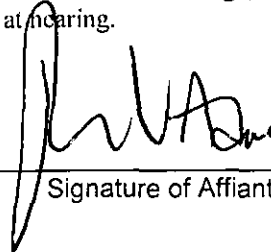
That World Energy Solutions, Inc., the Applicant herein certifies that it has caused the notice of the filing of its license application published in the following newspapers on (See below dates):

- Erie Times News June 10, 2014
- Harrisburg Patriot News June 12, 2014
- Philadelphia Daily News June 9, 2014
- Pittsburg Post Gazette June 11, 2014
- Scranton Times Tribune June 9, 2014
- Williamsport Sun Gazette June 8, 2014

A copy of the notice as it appeared in each of the above newspapers is attached. Noted on each copy is the newspaper section (name, number or letter), if applicable, and the page number on which the notice appeared.

That World Energy Solutions, Inc. the Applicant will submit to the Commission the proof of publication from each newspaper in which notice of the application filing was published as soon as it is available.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief, and that he/she expects said Applicant to be able to prove the same at hearing.



Signature of Affiant

Sworn and subscribed before me this 25th day of June, 2014

RECEIVED

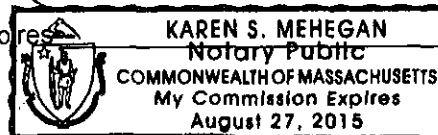
JUN 25 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU



Signature of official administering oath

My commission expires



AFFIDAVIT

[Commonwealth/State] of Massachusetts:

ss.

County of Worcester :

Philip V. Adams, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/she is the Chief Executive Officer (Office of Affiant) of World Energy Solutions, Inc. (Name of Applicant);]

[That he/she is authorized to and does make this affidavit for said Applicant;]

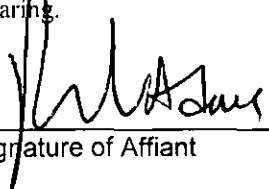
That the Applicant herein World Energy Solutions, Inc. has the burden of producing information and supporting documentation demonstrating its technical and financial fitness to be licensed as a natural gas supplier pursuant to 66 Pa. C.S. §2208(c)(1).

That the Applicant herein World Energy Solutions, Inc. has answered the questions on the application correctly, truthfully, and completely and provided supporting documentation as required.

That the Applicant herein World Energy Solutions, Inc. acknowledges that it is under a duty to update information provided in answer to questions on this application and contained in supporting documents.

That the Applicant herein World Energy Solutions, Inc. acknowledges that it is under a duty to supplement information provided in answer to questions on this application and contained in supporting documents as requested by the Commission.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief, and that he/she expects said Applicant to be able to prove the same at hearing.



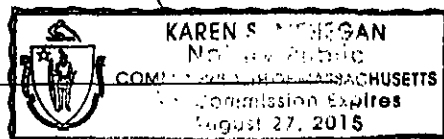
Signature of Affiant

Sworn and subscribed before me this 25th day of June, 19 2014



Signature of official administering oath

My commission expires _____



RECEIVED

JUN 25 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Appendix B

Sample Disclosure Statement Format for Natural Gas Suppliers

This is an agreement for natural gas services, between NGS name and customer's name and full address.

Background

We at NGS Company Name are licensed by the Pennsylvania Public Utility Commission to offer and supply natural gas services in Pennsylvania. Our PUC license number is A-110XXX.

- We set the prices and charges that you pay. The Public Utility Commission regulates distribution or delivery prices and services. The Federal Energy Regulatory Commission regulates interstate pipeline prices and services.
- If you ask us, we can bill you directly for our service.
- Right of Recision - You may cancel this agreement at any time before midnight of the third business day after receiving this disclosure.

Definitions

- Interstate Pipeline Charges - Charges for moving natural gas to the distribution lines of a distribution company.
- Nonbasic Charges - *Define each nonbasic service being offered.*

Terms of Service

1. (a) **Basic Service Prices** - *Itemize Basic Services you are billing for and their prices.*

You will pay rate per (Mcf/Dth/ccf) for the commodity of natural gas.
Suppliers are to include any variable pricing conditions and limits, if charging a variable rate.

You will pay rate per (Mcf/Dth/ccf) for other natural gas service.
Suppliers are to include transmission service prices if billed.

- (b) **Nonbasic Service Prices** - *Itemize Nonbasic Services you are offering and their prices.*
2. **Length of Agreement**

You will buy your natural gas services for the above street address from company's name beginning date through date of expiration, if any.

3. **Special Terms and Conditions** - *List and explain all that apply.*

Sign-up bonuses
Add-ons
Limited time offers
Other Sales Promotions
Exclusions

4. **Special Services** - *Provide explanation of price, terms and conditions, including advanced metering deployment, if applicable.*

5. Penalties, Fees and Exceptions - List any that apply including a late payment charge. The print size for this section must be larger than the print in the rest of the agreement.

6. Cancellation Provisions - This category may consist of both customer initiated cancellation provisions and supplier initiated cancellation provisions.

7. Renewal Provision - If this is a fixed term agreement with automatic renewal, explain the procedure here.

8. Agreement Expiration/Change in Terms

If you have a fixed term agreement with us and it is approaching the expiration date or if we propose to change our terms of service, we will send you written notice in each of our last three bills or in separate mailings before either the expiration date or the effective date of the changes. We will explain your options in these three advance notices.

9. Dispute Procedures

Contact us with any questions concerning our terms of service. You may call the PUC if you are not satisfied after discussing your terms with us.

10. Contact Information

Supplier Name: _____

Address: _____

Phone Number: _____

Internet Address: _____

Distribution Company Name: _____

Provider of Last Resort Name: _____

Address: _____

Phone Number: _____

Public Utility Commission (PUC) Address: P.O. Box 3265 Harrisburg, PA 17105-3265

Natural Gas Competition Hotline Number: 1-888-xxx-xxxx

Universal Service Program Name: _____

Phone Number: _____

APPENDIX C
EXAMPLE FORM OF NOTICE

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
NOTICE

*Application of **Company Name** (d/b/a "**Trade Name**") For Approval To Offer, Render, Furnish Natural Gas Supply Services as a Marketer/Broker or Aggregator Engaged In The Business Of Supplying Natural Gas Supply Services, To The Public In The Commonwealth Of Pennsylvania, Docket No. **A-125XXX**.*

On **Month Date, Year, Company Name** filed an application with the Pennsylvania Public Utility Commission ("PUC") for a license to provide natural gas supply services as (1) a supplier of natural gas, (2) a broker/marketer engaged in the business of supplying natural gas, and (3) an aggregator engaged in the business of providing natural gas supply services. **Company Name** proposes to sell natural gas and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of **Company Name** may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to **Company's Name** attorney at the address listed below. Please include the PUC's "docket number" on any correspondence, which is

A-125XXX.

By and through Counsel: Attorney's Name

Company Name

Address

Address

Phone

FAX

APPENDIX D

Standards of Conduct

- (1) The [natural gas distribution company] should apply its tariffs in a nondiscriminatory manner to its affiliate, its own marketing division and any nonaffiliate.
- (2) The [natural gas distribution company] should likewise not apply a tariff provision in any manner that would give its affiliate or division an unreasonable preference over other marketers with regard to matters such as scheduling, balancing, transportation, storage, curtailment, capacity release and assignment, or nondelivery, and all other services provided to its affiliated suppliers.
- (3) If a tariff provision is mandatory, the [natural gas distribution company] should not waive the provision for its affiliate or division absent prior approval of the Commission.
- (4) If a tariff provision is not mandatory or provides for waivers, the [natural gas distribution company] should grant the waivers without preference to affiliates and divisions or non-affiliates.
- (5) The [natural gas distribution company] should maintain a chronological log of tariff provisions for which it has granted waivers. Entries should include the name of the party receiving the waiver, the date and time of the request, the specific tariff provision waived and the reason for the waiver. Any chronological log should be open for public inspection during normal business hours.
- (6) The [natural gas distribution company] should process requests for transportation promptly and in a nondiscriminatory fashion with respect to other requests received in the same or a similar period. The [natural gas distribution company] should maintain a chronological log showing the processing of requests for transportation services. Any chronological log should be open for public inspection during normal business hours.
- (7) Transportation discounts and fee waivers and rebates provided to the [natural gas distribution company's] or its marketing affiliate's favored customers should be offered to other similarly situated customers and should not be tied to any unrelated service, incentive or offer on behalf of either the parent or affiliate. A chronological log should be

maintained showing the date, party, time and rationale for the action. Any chronological log should be open for public inspection during normal business hours.

- (8) The [natural gas distribution company] should not disclose any customer proprietary information to its marketing affiliate or division, and to the extent that it does disclose customer information, it should contemporaneously provide this same information to other similarly situated marketers in a similar fashion so as not to selectively disclose, delay disclosure, or give itself or its affiliate any undue advantage related to the disclosure. A chronological log should be maintained showing the date, time and rationale for the disclosure. Any chronological log should be open for public inspection during normal business hours. A natural gas distribution company should not provide information received from non-affiliated customers or suppliers to its affiliated natural gas suppliers.
- (9) The [natural gas distribution company] should justly and reasonably allocate to its marketing affiliate or division the costs or expenses for general administration or support services.
- (10) The [natural gas distribution company] selling surplus gas supplies and/or upstream capacity on a short-term basis (as defined by the Federal Energy Regulatory Commission) to its affiliate should make supplies available to similarly situated marketers on a nondiscriminatory basis. The [natural gas distribution company] should not make any gas supplies and/or upstream capacity available through private disclosure to the [natural gas distribution company's] affiliate unless the availability is made simultaneously with public dissemination in a manner that fairly apprises interested parties of the availability of the gas supplies and/or upstream capacity. The [natural gas distribution company] should maintain a chronological log of these public disseminations. Any chronological log should be open for public inspection during normal business hours.
- (11) The [natural gas distribution company] should not condition or tie agreements to release interstate pipeline capacity to any service in which the [natural gas distribution company] or affiliate is involved.
- (12) The [natural gas distribution company] should not directly or by implication . . . represent to any customer, supplier or third party that an advantage may accrue to any party through use of the [natural gas distribution company's] affiliate or subsidiary.

- (13) The [natural gas distribution company] should establish and file with the Commission a complaint procedure for dealing with any alleged violations of any of the standards listed in paragraphs (1) through (12), this paragraph or paragraphs (14) and (15), excepting for paragraph (9), which should be exclusively under the purview of the Commission. These procedures should be developed in consultation with interested parties during consideration of any tariff guided by this section and §69.191 (relating to general). The Commission may expect establishment of a complaint procedure or other recordkeeping requirements if warranted by subsequent facts or circumstances.
- (14) The [natural gas distribution company] should keep a chronological log of any complaints, excepting paragraph (9), regarding discriminatory treatment of natural gas suppliers. This chronological log should include the date and nature of the complaint and the [natural gas distribution company's] resolution of it. Any chronological log should be open for inspection during normal business hours.
- (15) Parties alleging violations of these standards may pursue their allegations through the Commission's established complaint procedures. A complainant bears the burden of proof consistent with 66 Pa. C.S. (relating to Public Utility Code) in regard to the allegations.
- (16) Licensees shall provide accurate information about their natural gas supplier services using plain language and common terms. Where new terms are used, such terms must be defined again using plain language: Information should be provided in a format which will allow for comparison of the various natural gas supply services offered and the prices charged for each type of service.
- (17) Licensees shall provide notification of the change in conditions of service, intent to cease operation as a natural gas supplier, explanation of denial of service, proper handling of deposits and proper handling of complaints in accordance with Commission regulations where applicable.
- (18) Licensees shall maintain the confidentiality of customers' historic payment information and right of access to their own load and billing information.
- (19) Licensees shall not discriminate in the provision of natural gas supply services as to availability and terms of service based on race, color,

religion, national origin, sex, marital status, age receipt of public assistance income, and exercise of rights under the Consumer Credit Protection Act, 15 U. S. C. §§1691-1691f; Regulation B, 12 C.F.R. §§202-202.14.

- (20) Licensees will be responsible for any fraudulent deceptive or other unlawful marketing or billing acts performed by their agents or representatives. Licensee shall inform consumers of state consumer protection laws that govern the cancellation or rescission of natural gas supply service contracts. 73 P. S. §201-7.
- (21) The natural gas distribution company shall not give any affiliate or marketing division preference over a non-traditional affiliate in the provision of goods and services such as processing requests for information, complaints and responses to service interruptions. The natural gas distribution company shall provide comparable treatment without regard to a customer's chosen natural gas supplier.
- (22) No transaction between the natural gas distribution company and an affiliated natural gas supplier shall involve an anti-competitive cross-subsidy and all such transactions shall comply with applicable law.
- (23) Natural gas distribution company employees who have responsibility for operating the distribution system, including natural gas delivery or billing and metering, shall not be shared with an affiliated or divisional Supplier, and their offices shall be physically separated from the office(s) used by those working for the Supplier. Such natural gas distribution company employees may transfer to a Supplier provided such transfer is not used as a means to circumvent these interim standards of conduct. Any supplier shall have its own direct line management. Any shared facilities shall be fully and transparently allocated between the natural gas distribution company function and the Supplier function. The natural gas distribution company accounts and records shall be maintained such that the costs a Supplier incurs may be clearly identified.
- (24) (a) Neither the natural gas distribution company nor an affiliated or divisional Supplier may directly or by implication falsely and unfairly represent:
 - that the Pa PUC jurisdictionally regulated services provided by the natural gas distribution company are of a superior quality when power is purchased from an affiliated or divisional Supplier; or

- that the merchant services (for natural gas) are being provided by the natural gas distribution company rather than an affiliated or divisional Supplier;
- that the natural gas purchased from a Supplier that is not an affiliate or division of the natural gas distribution company may not be reliably delivered;
- that natural gas must be purchased from an affiliate or divisional Supplier to receive Pa PUC jurisdictional regulated services.

(b) The natural gas distribution company shall not jointly market or jointly purchase its Pa PUC jurisdictional regulated services with the services of an affiliated or divisional Supplier. This prohibition includes prohibiting the natural gas distribution company from including bill inserts in its natural gas distribution company bills promoting an affiliated or divisional Supplier's services, and further precludes a reference or link from the natural gas distribution company's web-site to any affiliated or divisional supplier.

(c) When an affiliated or divisional Supplier markets or communicates to the public using the natural gas distribution company name or logo, it shall include a disclaimer that states:

(i) That the Supplier is not the same company as the natural gas distribution company; (2) that the prices of the Supplier are not regulated by the Pa PUC; and (3) that a customer does not have to by natural gas or other products from the Supplier in order to receive the same quality service from the natural gas distribution company. When a Supplier advertises or communicates verbally through radio or television to the public using the natural gas distribution company name or logo, the Supplier shall include at the conclusion of any such communication a disclaimer that includes all of the disclaimers listed in this paragraph.

(25) The natural gas distribution company must: (a) make interstate capacity available for release, assignment, or transfer to its affiliated or divisional Supplier only through the interstate pipeline electronic bulletin boards and the competitive bidding procedures in place on those interstate systems; (b) not give its affiliated or divisional Supplier any preference over non-affiliated or non-divisional Suppliers, or potential non-affiliated or non-divisional Suppliers, in matters relating to the assignment, release, or other transfer of the natural gas distribution company's capacity rights on interstate pipeline systems; and (c) not condition or tie its agreement to release, assign, or

otherwise transfer interstate pipeline capacity to any agreement by a gas Supplier, customer or other third party relating to any service in which its marketing affiliate is involved.

RECEIVED

JUN 25 2014

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

APPENDIX E

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE

JUNE 4, 2014

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

I DO HEREBY CERTIFY THAT,

World Energy Solutions, Inc.

is duly qualified as a Foreign Corporation under the laws of the Commonwealth of Pennsylvania and remains a subsisting corporation so far as the records of this office show, as of the date herein.

I DO FURTHER CERTIFY THAT, This Subsistence Certificate shall not imply that all fees, taxes, and penalties owed to the Commonwealth of Pennsylvania are paid.



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

A handwritten signature in cursive script, appearing to read "Carol Aichele".

Secretary of the Commonwealth

RECEIVED

JUN 25 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX F

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "WORLD ENERGY SOLUTIONS, INC.", FILED IN THIS OFFICE ON THE SIXTEENTH DAY OF NOVEMBER, A.D. 2006, AT 9:50 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



3059369 8100

061050375

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 5201178

DATE: 11-16-06

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

WORLD ENERGY SOLUTIONS, INC.

(originally incorporated on June 22, 1999 under the name World Energy Exchange, Inc.)

FIRST: The name of the Corporation is World Energy Solutions, Inc.

SECOND: The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 155,000,000 shares, consisting of (i) 150,000,000 shares of Common Stock, \$.0001 par value per share ("Common Stock"), and (ii) 5,000,000 shares of Preferred Stock, \$.0001 par value per share ("Preferred Stock").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A COMMON STOCK.

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series.

2. Voting. The holders of the Common Stock shall have voting rights at all meetings of stockholders, each such holder being entitled to one vote for each share thereof held by such holder; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (which, as used herein, shall mean the certificate of incorporation of the Corporation, as amended from time to time, including the terms of any certificate of designations of any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation. There shall be no cumulative voting.

The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders

of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of Delaware.

3. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend or other rights of any then outstanding Preferred Stock.

4. Liquidation. Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential or other rights of any then outstanding Preferred Stock.

B PREFERRED STOCK.

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by resolution or resolutions providing for the issuance of the shares thereof, to determine and fix the number of shares of such series and such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the General Corporation Law of Delaware. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law.

The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of Delaware.

FIFTH: Except as otherwise provided herein, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute and this Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

SIXTH: In furtherance and not in limitation of the powers conferred upon it by the laws of the State of Delaware, and subject to the terms of any series of Preferred Stock, the Board of Directors shall have the power to adopt, amend, alter or repeal the Corporation's By-laws. The affirmative vote of a majority of the directors present at any regular or special meeting of the

Board of Directors at which a quorum is present shall be required to adopt, amend, alter or repeal the Corporation's By-laws. The Corporation's By-laws also may be adopted, amended, altered or repealed by the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors, in addition to any other vote required by this Certificate of Incorporation. Notwithstanding any other provisions of law, this Certificate of Incorporation or the By-Laws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article SIXTH.

SEVENTH: Except to the extent that the General Corporation Law of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

EIGHTH: The Corporation shall provide indemnification as follows:

1. Actions, Suits and Proceedings Other than by or in the Right of the Corporation. The Corporation shall indemnify each person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with such action, suit or proceeding and any appeal therefrom, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

2. Actions or Suits by or in the Right of the Corporation. The Corporation shall indemnify any Indemnitee who was or is a party to or threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a

judgment in its favor by reason of the fact that Indemnatee is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnatee in connection with such action, suit or proceeding and any appeal therefrom, if Indemnatee acted in good faith and in a manner which Indemnatee reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made under this Section 2 in respect of any claim, issue or matter as to which Indemnatee shall have been adjudged to be liable to the Corporation, unless, and only to the extent, that the Court of Chancery of Delaware shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, Indemnatee is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware shall deem proper.

3. Indemnification for Expenses of Successful Party. Notwithstanding any other provisions of this Article, to the extent that an Indemnatee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article EIGHTH, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, Indemnatee shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by or on behalf of Indemnatee in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to Indemnatee, (ii) an adjudication that Indemnatee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by Indemnatee, (iv) an adjudication that Indemnatee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that Indemnatee had reasonable cause to believe his conduct was unlawful, Indemnatee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

4. Notification and Defense of Claim. As a condition precedent to an Indemnatee's right to be indemnified, such Indemnatee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving such Indemnatee for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to Indemnatee. After notice from the Corporation to Indemnatee of its election so to assume such defense, the Corporation shall not be liable to Indemnatee for any legal or other expenses subsequently incurred by Indemnatee in connection with such action, suit, proceeding or investigation, other than as provided below in this Section 4. Indemnatee shall have the right to employ his or her own counsel in connection with such action, suit, proceeding or investigation, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of Indemnatee unless (i) the employment of counsel by Indemnatee has been authorized by the Corporation,

(ii) counsel to Indemnatee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and Indemnatee in the conduct of the defense of such action, suit, proceeding or investigation or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, suit, proceeding or investigation, in each of which cases the fees and expenses of counsel for Indemnatee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article. The Corporation shall not be entitled, without the consent of Indemnatee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for Indemnatee shall have reasonably made the conclusion provided for in clause (ii) above. The Corporation shall not be required to indemnify Indemnatee under this Article EIGHTH for any amounts paid in settlement of any action, suit, proceeding or investigation effected without its written consent. The Corporation shall not settle any action, suit, proceeding or investigation in any manner which would impose any penalty or limitation on Indemnatee without Indemnatee's written consent. Neither the Corporation nor Indemnatee will unreasonably withhold or delay its consent to any proposed settlement.

5. Advance of Expenses. Subject to the provisions of Section 6 of this Article EIGHTH, in the event of any action, suit, proceeding or investigation of which the Corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by or on behalf of Indemnatee in defending an action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter; provided, however, that the payment of such expenses incurred by or on behalf of Indemnatee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of Indemnatee to repay all amounts so advanced in the event that it shall ultimately be determined that Indemnatee is not entitled to be indemnified by the Corporation as authorized in this Article; and further provided that no such advancement of expenses shall be made under this Article EIGHTH if it is determined (in the manner described in Section 6) that (i) Indemnatee did not act in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, or (ii) with respect to any criminal action or proceeding, Indemnatee had reasonable cause to believe his conduct was unlawful. Such undertaking shall be accepted without reference to the financial ability of Indemnatee to make such repayment.

6. Procedure for Indemnification. In order to obtain indemnification or advancement of expenses pursuant to Section 1, 2, 3 or 5 of this Article EIGHTH, an Indemnatee shall submit to the Corporation a written request. Any such advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of Indemnatee, unless (i) the Corporation has assumed the defense pursuant to Section 4 of this Article EIGHTH (and none of the circumstances described in Section 4 of this Article EIGHTH that would nonetheless entitle the Indemnatee to indemnification for the fees and expenses of separate counsel have occurred) or (ii) the Corporation determines within such 60-day period that Indemnatee did not meet the applicable standard of conduct set forth in Section 1, 2 or 5 of this Article EIGHTH, as the case may be. Any such indemnification, unless ordered by a court, shall be made with respect to requests under Section 1 or 2 only as authorized in the specific case upon a determination by the Corporation that the indemnification of Indemnatee is proper because Indemnatee has met the applicable standard of conduct set forth in

Section 1 or 2, as the case may be. Such determination shall be made in each instance (a) by a majority vote of the directors of the Corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), whether or not a quorum, (b) by a committee of disinterested directors designated by majority vote of disinterested directors, whether or not a quorum, (c) if there are no disinterested directors, or if the disinterested directors so direct, by independent legal counsel (who may, to the extent permitted by law, be regular legal counsel to the Corporation) in a written opinion, or (d) by the stockholders of the Corporation.

7. Remedies. The right to indemnification or advancement of expenses as granted by this Article shall be enforceable by Indemnitee in any court of competent jurisdiction. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Section 6 of this Article EIGHTH that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct. Indemnitee's expenses (including attorneys' fees) reasonably incurred in connection with successfully establishing Indemnitee's right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation.

8. Limitations. Notwithstanding anything to the contrary in this Article, except as set forth in Section 7 of the Article EIGHTH, the Corporation shall not indemnify an Indemnitee pursuant to this Article EIGHTH in connection with a proceeding (or part thereof) initiated by such Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation. Notwithstanding anything to the contrary in this Article, the Corporation shall not indemnify an Indemnitee to the extent such Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to an Indemnitee and such Indemnitee is subsequently reimbursed from the proceeds of insurance, such Indemnitee shall promptly refund indemnification payments to the Corporation to the extent of such insurance reimbursement.

9. Subsequent Amendment. No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

10. Other Rights. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in Indemnitee's official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing

indemnification rights and procedures different from those set forth in this Article. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

11. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which Indemnitee is entitled.

12. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

13. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

14. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

NINTH: This Article is inserted for the management of the business and for the conduct of the affairs of the Corporation.

1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

2. Number of Directors; Election of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of directors of the Corporation shall be established by the Board of Directors. Election of directors need not be by written ballot, except as and to the extent provided in the By-laws of the Corporation.

3. Classes of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board of Directors shall be and is divided into three classes: Class I, Class II and Class III.

4. Terms of Office. Subject to the rights of holders of any series of Preferred Stock to elect directors, each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, that each director initially appointed to Class I shall serve for a term expiring at the Corporation's annual meeting of stockholders held in 2007; each director initially appointed to Class II shall serve for a term expiring at the Corporation's annual meeting of stockholders held in 2008; and each director initially appointed to Class III shall serve for a term expiring at the Corporation's annual meeting of stockholders held in 2009; provided further, that the term of each director shall continue until the election and qualification of his successor and be subject to his earlier death, resignation or removal.

5. Quorum. The greater of (a) a majority of the directors at any time in office and (b) one-third of the number of directors fixed pursuant to Section 2 of this Article NINTH shall constitute a quorum. If at any meeting of the Board of Directors there shall be less than such a quorum, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

6. Action at Meeting. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number is required by law or by this Certificate of Incorporation.

7. Removal. Subject to the rights of holders of any series of Preferred Stock, directors of the Corporation may be removed only for cause and only by the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors.

8. Vacancies. Subject to the rights of holders of any series of Preferred Stock, any vacancy or newly created directorships in the Board of Directors, however occurring, shall be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. A director elected to fill a vacancy shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of a successor and to such director's earlier death, resignation or removal.

9. Stockholder Nominations and Introduction of Business, Etc. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided by the By-laws of the Corporation.

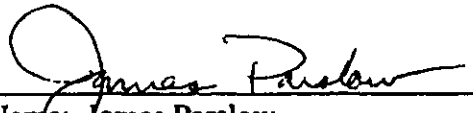
10. Amendments to Article. Notwithstanding any other provisions of law, this Certificate of Incorporation or the By-laws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article NINTH.

TENTH: Stockholders of the Corporation may not take any action by written consent in lieu of a meeting. Notwithstanding any other provisions of law, this Certificate of Incorporation or the By-laws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article TENTH.

ELEVENTH: Special meetings of stockholders for any purpose or purposes may be called at any time by the Board of Directors, the Chairman of the Board or the President, but such special meetings may not be called by any other person or persons. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting. Notwithstanding any other provision of law, this Certificate of Incorporation or the By-laws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article ELEVENTH.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which restates, integrates and amends the certificate of incorporation of the Corporation, and which has been duly adopted in accordance with Sections 228, 242 and 245 of the Delaware General Corporation Law, has been executed by its duly authorized officer this 16th day of November, 2006.

WORLD ENERGY SOLUTIONS, INC.

By: 
Name: James Parslow
Title: Chief Financial Officer

RECEIVED

JUN 25 2014

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

APPENDIX G

World Energy Solutions, Inc. is a public company headquartered in Worcester, MA. It does not have a parent company nor any affiliate companies. World Energy Solutions, Inc. does have one subsidiary, World Energy Securities Corporation. World Energy Securities Corporation is incorporated in Massachusetts and 100% of its outstanding stock is owned by World Energy Solutions, Inc.

RECEIVED

JUN 25 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX H

WORLD ENERGY SOLUTIONS, INC.

FORM 10-K (Annual Report)

Filed 03/31/14 for the Period Ending 12/31/13

Address	100 FRONT STREET WORCESTER, MA 01608
Telephone	508-459-8100
CIK	0001371781
Symbol	XWES
SIC Code	7389 - Business Services, Not Elsewhere Classified
Industry	Investment Services
Sector	Financial
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

- ☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013 or
- ☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number: 001-34289

World Energy Solutions, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

04-3474959
(I.R.S. Employer Identification Number)

100 Front Street
Worcester, Massachusetts 01608
(Address of principal executive offices)

(508) 459-8100
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act:
Common Stock, \$0.0001 par value

Name of each exchange on which registered:
NASDAQ Capital Market

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

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant based on the last sale price of such stock as reported by the NASDAQ Capital Market on June 28, 2013 (the last business day of the Registrant's most recently completed second fiscal quarter) was \$39,670,805.

As of March 24, 2014, the registrant had 12,372,938 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10 (as to directors and Section 16(a) Beneficial Ownership Reporting Compliance), 11, 12, 13 and 14 of Part III will incorporate by reference information from the registrant's proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the registrant's 2014 Annual Meeting of Stockholders.

World Energy Solutions, Inc.
Form 10-K
For the Year Ended December 31, 2013

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FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which statements involve risks and uncertainties. These statements relate to our future plans, objectives, expectations and intentions. These statements may be identified by the use of words such as "may", "could", "would", "should", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar expressions. We have based these forward-looking statements on our current expectations and projections about future events, including without limitation, our expectations of backlog and energy prices. Although we believe that the expectations underlying any of our forward-looking statements are reasonable, these expectations may prove to be incorrect and all of these statements are subject to risks and uncertainties. Should one or more of these risks and uncertainties materialize, or should underlying assumptions, projections or expectations prove incorrect, actual results, performance or financial condition may vary materially and adversely from those anticipated, estimated or expected. Our actual results and timing of certain events could differ materially from those discussed in these statements. Factors that could contribute to these differences include but are not limited to, those discussed under "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and elsewhere in this Report. The cautionary statements made in this Report should be read as being applicable to all forward-looking statements wherever they appear in this Report. The forward-looking statements made in this Report are made as at the date hereof. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, other than as required by securities laws.

PART I

Item 1. Business

Overview

World Energy Solutions, Inc. ("World Energy" or the "Company") offers a range of energy management solutions to commercial and industrial businesses, institutions, utilities, and governments to reduce their overall energy costs. The Company comes to market with a holistic approach to energy management helping customers a) contract for a competitive price for energy, b) engage in energy efficiency projects to minimize quantity used and c) pursue available rebate and incentive programs. The Company made its mark on the industry with an innovative approach to procurement via its online auction platform, the World Energy Exchange[®]. With recent investments and acquisitions, World Energy is building out its energy efficiency practice by engaging new customers while also pursuing more cross-selling opportunities for its procurement services.

World Energy provides energy management services utilizing state-of-the-art technology and the experience of a seasoned team to bring lower energy costs to its customers. The Company uses a simple equation

$$E = P \cdot Q - i$$

to help customers understand the holistic nature of the energy management problem. Total energy cost (E) is a function of Energy Price (P) times the Quantity of Energy Consumed (Q), minus any rebates or incentives (i) the customer can earn. This approach not only makes energy management more approachable for customers, simplifying what has become an increasingly dynamic and complex problem, it also highlights the inter-related nature of the energy management challenge. The Company asserts that point solution vendors may optimize one of the three elements, but it takes looking at the problem holistically to unlock the most savings.

In April 2010, we filed an S-3 registration statement with the Securities and Exchange Commission, or SEC, using a "shelf" registration, or continuous offering, process. Under this shelf registration process, we may, from time to time, issue and sell any combination of preferred stock, common stock or warrants, either separately or in units, in one or more offerings with a maximum aggregate offering price of \$20 million, including the U.S. dollar equivalent if the public offering of any such securities is denominated in one or more foreign currencies, foreign currency units or composite currencies. In April 2011 we issued 1.5 million shares of common stock utilizing this shelf registration to several accredited institutional investors at \$3.60 per share, yielding net proceeds of approximately \$5.3 million.

The net proceeds raised to date were applied in the third and fourth quarters of 2011 to make three acquisitions. We purchased a book of energy contracts from Co-eXprise, Inc. ("Co-eXprise"), expanding our customer base in the auction market, particularly in the government space. We acquired the assets and certain liabilities of Northeast Energy Solutions, LLC ("NES"), a small efficiency shop based in Connecticut. Finally we acquired the assets and certain liabilities of GSE Consulting, LP ("GSE"), a mid-market broker principally serving the Texas market. These acquisitions strengthen our leadership position in energy auctions, supplement our expansion efforts into the efficiency space, and provide us with a strong base in the growing small- and medium-sized customer marketplaces of the energy brokerage industry. In the fourth quarter of 2012, we purchased the assets of Northeast Energy Partners, LLC ("NEP"), a mid-market broker in Connecticut with over 2,000 customers. These customers, situated primarily in Connecticut and Massachusetts, are an ideal target for our energy efficiency services.

The Retail Energy Industry

Retail Electricity Deregulation

The electricity industry in the United States is governed by both federal and state laws and regulations, with the federal government having jurisdiction over the sale and transmission of electricity at the wholesale level in interstate commerce, and the states having jurisdiction over the sale and distribution of electricity at the retail level.

The federal government regulates the electricity wholesale and transmission business through the Federal Energy Regulatory Commission, or FERC, which draws its jurisdiction from the *Federal Power Act*, and from other legislation such as the *Public Utility Regulatory Policies Act of 1978*, the *Energy Policy Act of 1992*, and the *Energy Policy Act of 2005*, or EPA 2005. FERC has comprehensive and plenary jurisdiction over the rates and terms for sales of power at wholesale, and over the organization, governance and financing of the companies engaged in such sales. States regulate the sale of electricity at the retail level within their respective jurisdictions, in accordance with individual state laws which can vary widely in material respects. Restructuring of the retail electricity industry in the U.S. began in the mid-1990s, when certain state legislatures restructured their electricity markets to create competitive markets that enable energy consumers to purchase electricity from competitive energy suppliers.

Prior to the restructuring of the retail electricity industry, the electricity market structure in the U.S. consisted of vertically integrated utilities which had a near monopoly over the generation, transmission and distribution of electricity to retail energy consumers. In states that have embraced electricity restructuring, the generation component (i.e., the source of the electricity) has become more competitive while the energy delivery functions of transmission and distribution remain as monopoly services provided by the incumbent local utility and subject to comprehensive rate regulation. In other words, in these states, certain retail energy consumers (specifically, those served by investor-owned utilities and not by municipal power companies or rural power cooperatives) can choose their electricity supplier but must still rely upon their local utility to deliver that electricity to their home or place of business.

The structure and, ultimately, the success level of industry restructuring has been determined on a state by state basis. There have been three general models for electricity industry restructuring: (i) delayed competition, (ii) phased-in competition, and (iii) full competition. The delayed competition model consists of the state passing legislation authorizing competitive retail electricity markets (i.e., customer choice of electric energy supplier); however, no action is taken by the state regulatory authority charged with utility industry oversight within such state to change the incumbent utility rates for electric energy to encourage competition. The phased-in competition model consists of the state passing legislation authorizing competitive retail electricity markets together with a gradual change of the incumbent utility's retail electric rates to encourage the competitive supply of electricity over time. The full competition model consists of the state passing legislation authorizing competitive retail electricity markets together with an immediate change to the incumbent local utilities' retail electric rates that results in the whole commercial, industrial and government, or CIG, electricity market in such state being competitive immediately.

Energy consumers who choose to switch electricity suppliers can either do it themselves by contacting competitive energy suppliers directly, or indirectly, by engaging aggregators, brokers or consultants, collectively referred to as ABCs, to assist them with their electricity procurement.

Energy Suppliers: These entities take title to power and resell it directly to energy consumers. These are typically well-funded entities, which service both energy consumers directly and also work with ABCs, to contract with energy consumers. Presently, we estimate there are over 500 competitive suppliers, several of which operate on a national level and are registered in nearly all of the 16 states and the District of Columbia that permit CIG energy consumers to choose their electricity supplier and have deregulated pricing to create competitive markets. Of the 16 deregulated states, 14 have fully viable competitive markets.

Aggregators, Brokers and Consultants: ABCs facilitate transactions by having competitive energy suppliers compete against each other in an effort to get their energy customers the lowest price. This group generally uses manual request for proposal, or RFP, processes that are labor intensive, relying on phone, fax and email solicitations. We believe that the online RFP process is superior to the traditional paper-based RFP process as it involves a larger number of energy suppliers, can accommodate a larger number of bids within a shorter time span, and allows for a larger amount of contract variations including various year terms, territories and energy usage patterns.

Online Brokers: Online brokers are a subset of the ABCs. These entities use online platforms to run electronic RFP processes in an effort to secure the lowest prices for their energy customers by having competitors bid against one another. We believe that we are among the pioneering companies brokering electricity online and we are not aware of any competitor that has brokered more electricity online than we have.

Retail Natural Gas

The natural gas industry in the U.S. is governed by both federal and state laws and regulations, with the federal government having jurisdiction over the transmission of natural gas in interstate commerce, and the states having jurisdiction over the sale and distribution at the retail level.

The federal government regulates the natural gas transmission business through FERC which draws its jurisdiction from the *Natural Gas Act*, and from other legislation such as the EPA 2005. FERC has comprehensive and plenary jurisdiction over the rates and terms for transmission of gas in interstate commerce, and over the organization, governance and financing of the companies engaged in such transmission. States regulate the distribution and sale of gas at the retail level within their respective jurisdictions, in accordance with individual state laws which can vary widely in material respects.

The natural gas market in the U.S. is deregulated in most states and offers retail energy consumers access to their choice of natural gas commodity supplier.

Following a period of heavy regulation, the gas industry was deregulated in three phases as a result of legislation enacted in 1978 followed by multiple orders of FERC. The expected result of this deregulation was to stimulate competition in the natural gas industry down the pipeline to the distribution level.

At the retail level, reforms and restructuring have taken place on a state by state basis, with varying nuances to the restructuring in different states. For example, certain state commissions have allowed local distribution companies to offer unbundled transportation service to large customers; to provide flexible pricing in competitive markets; and to engage in other competitive activities.

Today, we estimate that utilities in over 40 states permit retail natural gas consumers to choose their natural gas commodity suppliers. In most instances, the local distribution utility still delivers the commodity to the consumers' premises, even if a different supplier is selected to provide the commodity. The level of competitive choice available to retail CIG energy consumers has increased, with a wide range of products and a significant number of suppliers participating in both retail and wholesale transactions.

Demand Response

The electric power industry in North America faces enormous challenges to keep pace with the expected increase in demand for electricity and to manage the increased amount of intermittent renewable energy resources that are expected to be connected to the power grid in the future. Because electricity cannot be economically stored using commercially available technology today, it must be generated, delivered and consumed at the moment that it is needed by end-use customers. Maintaining a reliable electric power grid therefore requires real-time balancing between supply and demand. Power generation, transmission and distribution facilities are built to capacity levels that can service the maximum amount of anticipated demand plus a reserve margin intended to serve as a buffer to protect the system in critical periods of peak demand or unexpected events such as failure of a power plant or major transmission line. However, under-investment in generation, transmission and distribution infrastructure in recent years in key regions, coupled with a dramatic growth in electricity consumption over that same time period, has led to an increased frequency of voltage reductions—commonly known as brownouts—and blackouts, and periodically prevents the transport of power to constrained areas during periods of peak demand, which can affect reliability and cause significant economic impacts.

As the electric power industry confronts these challenges, demand response, or DR, has emerged as an important solution to help address the imbalance in electric supply and demand. For example, the EPA 2005 declared it the official policy of the U.S. to encourage demand response and the adoption of devices that enable it. In addition, the *Energy Independence and Security Act of 2007* ordered the FERC to conduct a nationwide assessment of demand response potential and create a national action plan to promote demand response at the federal level and support individual states in their own demand response initiatives.

Our customers in the DR market are energy consumers that agree to curtail their electricity consumption when requested by Regional Transmission Organizations, or RTOs, or Independent System Operators, or ISOs, during times of peak demand. We bring together these energy consumers with Demand Response Providers, or DRPs, to auction off the energy consumers capacity. DR Ps compete against each other in a forward auction, bidding up the percentage of the DR revenue that the energy consumer will receive from a specific DR program.

Energy Efficiency

There is an increasing emphasis on energy efficiency as an important aspect of national energy policy, smart grid solutions and facility management best practices. For example, the White House estimates that commercial buildings consumed roughly 20 percent of all energy in the U.S. in 2010. Additionally Navigant Research, a leading industry analyst firm, has estimated that if all commercial buildings underwent efficiency retrofits (noting that 80% of all commercial buildings are more than 10 years old), the payout would be on the order of \$41.1 billion each year.

Large drivers of the overall efficiency market include the national Better Buildings initiative, which aims for 20% efficiency gains in commercial buildings by 2020 through cost-effective upgrades, and New York City's Greener, Greater Buildings Plan aimed at reducing energy consumption by existing buildings, which account for 70-80% of the city's total greenhouse gas emissions.

Fifty states have pro-growth energy efficiency policies. As of July 2013, twenty-five states have fully funded policies in place that establish specific energy savings targets that utilities or non-utility program administrators must meet through customer efficiency programs. In a 2012 report, New England ISO projected it would spend \$5.7 billion on energy efficiency programs in the region from 2015-2021, up from \$1.2 billion in 2008-2011.

With our recent investments, extensive base of federal and state government clients, growing footprint in the commercial property space, and large channel partner network that includes leading energy service companies, we expanded our presence in the energy efficiency market with our acquisition of NES in October 2011. NES focuses on turn-key electrical and mechanical energy efficiency measures serving commercial, industrial and institutional customers.

Wholesale Energy

The wholesale electricity market is the competitive market that connects generators (sellers) with utilities, electricity retailers and intermediaries (buyers) who purchase electricity to re-sell on the retail market. We estimate that total wholesale purchases of electric power in 2012 were over 5.7 billion MWh. Natural gas is an important input fuel for generators, and U.S. consumption of natural gas in 2013 exceeded 26 trillion cubic feet.

The U.S. wholesale electricity market emerged in the late 1970s when independent power producers, or IPPs, and other non-utilities entered the electricity generation market, although the market was restricted until the early 1990s when competitive constraints were removed. These new generation entities began to compete directly with traditional utilities and offered customers more than one choice to obtain electricity. Today, participants in the wholesale market include IPPs, traditional utilities, and intermediary power marketers. In addition, banks, traders, and brokers participate in the wholesale market.

IPPs and traditional utilities comprise the generation portion of the wholesale market. Many employ internal sales forces to assist in the sale and distribution of their power, enabling them to participate as both buyers and sellers within the wholesale market. However, a growing number of IPPs and utilities have found it easier and more cost effective to sell their generation through power marketing services, which has contributed to the power marketers' increased role within the market. Power marketers utilize several different platforms to purchase power from generators for distribution, which include paper RFPs, phone brokerage, electronic exchanges and auctions.

Our customers in the wholesale market can be either buyers or sellers and can include utilities and municipal utilities that buy power or natural gas to fill in gaps in their portfolios or to consume in their generation facilities, and retail marketers who buy natural gas and power to resell to retail customers. If the customer is a buyer, we will run a reverse (descending price) auction to secure a lower price. If the customer is a seller, we will run a forward (ascending price) auction to secure a higher price.

Environmental Commodities

Concerns about global warming have spawned a number of initiatives to reduce greenhouse gas emissions. The most widely adopted of these initiatives is the Kyoto Protocol pursuant to which many countries in Europe, Asia and elsewhere have created carbon cap and trade systems. In carbon cap and trade programs, carbon dioxide emission caps are established and producers of these emissions can buy or sell credits in order to meet their required allocations. While the U.S. did not ratify the Kyoto Protocol, there are a number of initiatives in the U.S. at the regional, state and local levels aimed at limiting greenhouse gas emissions, the most robust of which is the Regional Greenhouse Gas Initiative, Inc., or RGGI.

In August 2008, we were awarded a two-year contract with RGGI, which is the first mandatory, market based effort in the U.S. to reduce greenhouse gas emissions. RGGI selected us to sell allowances for the emitting of carbon dioxide emissions from the power sector. This contract was subsequently extended for an additional two-year period, and also for the first year of two, one-year options. We have successfully completed twenty-two quarterly auctions for RGGI through December 31, 2013, raising more than \$1.5 billion in proceeds for RGGI states to re-invest in energy efficiency and other consumer-benefitting measures.

Company Strategy and Operations

Overview

World Energy offers a range of energy management solutions to commercial and industrial businesses, institutions, utilities, and governments to reduce their overall energy costs. The Company comes to market with a holistic approach to energy management helping customers a) contract for the lowest price for energy, b) engage in energy efficiency projects to minimize quantity used and c) maximize available rebate and incentive programs. The Company made its mark on the industry with an innovative approach to procurement via its state-of-the-art online auction platform, the World Energy Exchange[®]. With recent investments and acquisitions, World Energy is building out its energy efficiency practice — engaging new customers while also pursuing more cross-selling opportunities for its procurement services. The Company is also taking its suite of solutions to the rapidly growing small- and medium-sized customer markets.

World Energy provides energy management services utilizing state-of-the-art technology and the experience of a seasoned team to bring lower energy costs to its customers. The Company uses a simple equation

$$E = P \cdot Q - i$$

to help customers understand the holistic nature of the energy management problem. Total energy cost (E) is a function of Energy Price (P) times the Quantity of Energy Consumed (Q), minus any rebates or incentives (i) the customer can earn. This approach not only makes energy management more approachable for customers, simplifying what has become an increasingly dynamic and complex problem, it also highlights the inter-related nature of the energy management challenge. The Company asserts that point solution vendors may optimize one of the three elements, but it takes looking at the problem holistically to unlock the most savings.

We help customers optimize this equation by applying the Seven Levers of Energy Management™ — Planning, Sourcing, Risk Management, Efficiency, Sustainability, Incentives and Monitoring.

These Seven Levers of Energy Management™ are supported by state of the art technology developed or licensed by our Company. Our flagship platform is the World Energy Exchange®. On the World Energy Exchange® energy consumers in North America are able to negotiate for the purchase or sale of electricity, natural gas and other energy resources from competing energy suppliers which have agreed to participate on our auction platform in a given event. Buyers and sellers can also negotiate for the purchase or sale of environmental commodities such as Renewal Energy Certificates, or RECs, Verified Emissions Reductions, or VERs, and Certified Emissions Reductions, or CERs. In addition, the World Energy Exchange® enables DRPs and energy consumers to come together in highly-structured auction events designed to yield price transparency, heighten competition, and maximize the energy consumers' share of demand response revenues.

We bring bidders and listers together in our online marketplace, often with the assistance of our channel partners, who identify and work with customers to consummate transactions. Our exchange is comprised of a series of software modules that automate our comprehensive procurement process including:

- energy and environmental commodities sourcing management — a database of suppliers and contacts;
- lead management — a module to track prospective customers through the sales process;
- deal and task management — a module to list, assign and track steps to complete a procurement successfully;
- market intelligence — databases of information related to market rules and pricing trends for markets;
- RFP development — a module to create RFPs with a variety of terms and parameters;
- conducting auctions — underlying software to manage the bidding and timing of an auction and display the results;
- portfolio management — a database of contracts, sites, accounts and historical usage;
- risk management — monitoring, triggering and messaging tools;
- commission reporting — a system to display forecasted and actual commissions due to channel partners; and
- receivables management — a system to upload data received from suppliers and track payment receipt.

Our technology-based solution is attractive to channel partners as it provides them with a business automation platform to enhance their growth, profitability and customer satisfaction. Channel partners are important to our business because these entities offer our auction platform to enhance their service offerings to their customers. By accessing our market intelligence and automated auction platform, channel partners significantly contribute to our transaction volume, and in return, we pay them a fixed percentage of the revenue we receive from winning bidders (i.e., energy suppliers and other buyers). This third party commission structure is negotiated in advance and included in the channel partner agreement based on a number of factors, including expected volume, effort required in the auction process and competitive factors.

As a requirement to bid in an auction (which is described in greater detail below), bidders must enter into an agreement to pay our fee if they execute a contract as a result of the auction. Following an auction event, our employees continue to work with the energy consumer and other listers or collectively, the customer, and bidder through the contract negotiation process and, accordingly, we are aware of whether a contract between the customer and bidder is consummated. If a contract is entered into between a customer and bidder using our auction platform, we are compensated based upon a fixed fee, or commission rate, that is built into the price of the commodity. This approach is attractive to both the customer and bidder as there is no fee charged to either party if the brokering process does not result in a contract. Our fees are based on the total volume of the commodity transacted between the customer and bidder multiplied by our contractual commission rate. We have master agreements with our bidders, whereby bidders are allowed to bid on customer requirements in exchange for agreeing to pay the fee that we have negotiated with the customer. In order to participate in any specific auction, bidders are required to acknowledge and agree to our fee on our online platform prior to participating in that auction.

Retail Electricity Transactions

For retail electricity transactions, monthly revenue is based on actual usage data obtained from the energy supplier for a given month or, to the extent actual usage data is not available, based on the estimated amount of electricity delivered to the energy consumer for that month. While the number of contracts closed in any given period can fluctuate widely due to a number of factors, this revenue recognition method provides for a relatively predictable revenue stream, as revenue is typically based on energy consumers' historical energy usage profile. However, monthly revenue can still vary from our expectations because usage is affected by a number of variables such as the weather and the general business conditions affecting our energy consumers.

Contracts between energy consumers and energy suppliers are signed for a variety of term lengths, with a one to two-year contract term being typical for commercial and industrial energy consumers, and government contracts typically having two to three year, and occasionally five-year terms. Backlog relates to contracts in force on a given date representing transactions between bidders and listers on our platform related to commodity brokerage assuming listers consume energy at their historical levels or deliver credits at expected levels. Total backlog represents the commission that we would derive over the remaining life of those contracts. Annualized backlog represents the commission that we would derive from those contracts within the twelve months following the date on which the backlog is calculated. For any particular contract, annualized backlog is calculated by multiplying the energy consumer's historical usage by our fixed contractual commission rate. This metric is not intended as an estimate of overall future revenues, since it does not purport to include revenues that may be earned during the relevant backlog period from new contracts or renewals of contracts that expire during such period. In addition, annualized backlog does not represent guaranteed future revenues, and to the extent actual usage under a particular contract varies from historical usage, our revenues under such contract will differ from the amount included in backlog.

In addition to retail electricity contracts, we have ongoing contractual arrangements with retail natural gas customers under which we deliver certain energy management and auction administration services for which we receive a monthly fee. Total and annualized backlog is \$47.5 million and \$24.9 million, respectively, at December 31, 2013, which includes monthly management fees related to natural gas contracts of \$0.7 million that have expected revenue associated with them from January 1, 2014 through December 31, 2014. These contracts can be terminated upon 30 days notice per the terms of the contracts and, therefore, backlog does not include any revenue from expected contract renewals from the management fees beyond December 31, 2014.

Because the calculation of backlog is a calculation of a contracted commission rate multiplied by a historical energy usage figure and our management contracts are cancelable by our natural gas customers, our backlog may not necessarily be indicative of future results. Annualized backlog should not be viewed in isolation or as a substitute for our historical revenues presented in the financial statements included in this Form 10-K. Events that may cause future revenues from contracts in force to differ materially from our annualized backlog include the events that may affect energy usage, such as overall business activity levels, changes in energy consumers' businesses, weather patterns and other factors described under "Risk Factors".

Retail Natural Gas Transactions

There are two primary fee components to our retail natural gas services: transaction fees and management fees. Transaction fees are billed to and paid by the energy supplier that was awarded business on the platform. These fees are established prior to award and are the same for each supplier. For the majority of our natural gas transactions, we bill the supplier upon the conclusion of the transaction based on the estimated energy volume transacted for the entire award term multiplied by the transaction fee. Management fees are paid by our energy consumers and are generally billed on a monthly basis for services rendered based on terms and conditions included in contractual arrangements. While substantially all of our retail natural gas transactions are accounted for in accordance with this policy, a certain percentage is accounted for as the natural gas is consumed by the energy consumer and recognized as revenue in accordance with the retail electricity transaction revenue recognition methodology described above.

Mid-Market Transactions

We earn a monthly commission on energy sales from each energy supplier based on the energy usage transacted between the energy supplier and energy consumer. The commissions are not based on the retail price for electricity but rather on the amount of energy consumed. Commissions are calculated based on the energy usage transacted between the energy supplier and energy consumer multiplied by our contractual commission rate. Revenue from commissions is recognized as earned over the life of each contract as energy is consumed, provided there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the fee is reasonably assured, and customer acceptance criteria, if any, has been successfully demonstrated. We generally recognize revenue on these transactions when we have received verification from the electricity supplier of the end-users power usage and electricity supplier's subsequent collection of the fees billed to the end user. The verification is generally accompanied with payment of the agreed upon fee to us, at which time the revenue is recognized. Commissions paid in advance are recorded as customer advances and are recognized monthly as commission revenue based on the energy exchanged that month. To the extent we do not receive verification of actual energy usage or we cannot reliably estimate what actual energy usage was for a given period, revenue is deferred until usage and collection data is received from the energy supplier.

Demand Response Transactions

Demand response transaction fees are recognized when we have received confirmation from the DRP that the energy consumer has performed under the applicable RTO or ISO program requirements. The energy consumer is either called to perform during an actual curtailment event or is required to demonstrate its ability to perform in a test event during the performance period. For the PJM Interconnection ("PJM"), an RTO that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia, the performance period is June through September in a calendar year. Test results are submitted to the PJM by the DRPs and we receive confirmation of the energy consumer's performance in the fourth quarter. DRPs typically pay us ratably on a quarterly basis throughout the demand response fiscal (June to May) year.

Wholesale and Environmental Commodity Transactions

Wholesale transaction fees are invoiced upon the conclusion of the auction based on a fixed fee. These revenues are not tied to future energy usage and are recognized upon the completion of the online auction. For reverse auctions where our customers bid for a consumer's business, the fees are paid by the bidder. For forward auctions where a lister is selling energy products, the fees are typically paid by the lister.

Environmental commodity transaction fees are accounted for utilizing two primary methods. For regulated allowance programs like the RGGI, fees are paid by the lister and are recognized quarterly as revenue as auctions are completed and approved. For most other environmental commodity transactions both the lister and the bidder pay the transaction fee and revenue is recognized upon the consummation of the underlying transaction as credits are delivered by the lister and payment is made by the bidder.

Energy Efficiency Services

Our Energy efficiency services segment is primarily project driven where we identify efficiency measures that energy consumers can implement to reduce their energy usage. We present retrofit opportunities to customers, get approval from them to proceed and submit the proposal to the local utility for pre-approval and determination of available incentives. Once the utility approves funding for the project, we install the equipment, typically new heating, ventilation or air conditioning ("HVAC") equipment, or replace lighting fixtures to more efficient models. We recognize revenue for Energy efficiency services when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Due to the short-term nature of projects (typically two to three weeks), we utilize the completed-contract method. We also assess multiple contracts entered into by the same customer in close proximity to determine if the contracts should be combined for revenue recognition purposes. Revenues are recognized based upon factors such as passage of title, installation, payments and customer acceptance.

The Brokerage Process

Our brokerage process is supported by a variety of modules designed with the goal to find the best possible price while providing step-by-step process management and detailed documentation prior to, during and following the auction. Our process includes data collection and analysis, establishing the benchmark price, conducting multiple auction events to enable testing of various term and price combinations and assisting in contract completion. We create an audit trail of all the steps taken in a given transaction. Specific web pages track all information provided to energy suppliers including energy supplier calls, supplier invitations, usage profiles and desired contract parameters.

At the commencement of the process, non-government energy consumers will enter into a procurement services agreement with us pursuant to which we are appointed as the brokerage service provider to solicit and obtain bids for the supply of energy or environmental commodities and to assist in the procurement of these commodities. Government energy consumers will send out a solicitation at the commencement of the brokerage process which sets out the contract terms. Only bidders that are qualified under the solicitation may participate in the auction. Bidders who wish to bid on the provision of energy or environmental commodities to such customers must participate in our brokerage process and cannot contract with customers outside of our brokerage process.

For retail energy, the procurement services agreement authorizes us to retrieve the energy consumer's energy usage history from the utility serving its accounts. We utilize the usage history to identify and analyze the energy consumer's energy needs and to run a rate and tariff model which calculates the utility rate for that energy consumer's facilities. This price is used as a benchmark price to beat for the auction event. For other customers or commodities, the benchmark price may be negotiated or calculated in another manner.

Prior to conducting the auction, the auction parameters, including target price, supplier preferences, contract terms, payment terms and product mix, as applicable, are discussed with the customer and agreed upon. Approximately two to five days prior to the auction, we will post RFPs with these auction parameters on our World Energy Exchange[®] and alert the potential bidders. Additionally, bidders are provided with information about the customer, historical energy usage information relating to the energy consumer's facilities (if retail customers), and the desired contract parameters, several days in advance of the auction as part of the RFP. This advance notice gives the bidders the opportunity to analyze the value of a potential deal and the creditworthiness of the customer. We believe that, using this information along with the auction parameters described in the RFP, the bidders develop a bidding strategy for the auction.

The auction creates a competitive bidding environment that is designed to cause bidders to deliver better prices in response to other competitive bids. Specifically, bidders enter an auction by submitting an opening bid at or better than the suggested opening bid posted on the RFP. After they enter the auction and assess the bidding activity, bidders may begin testing the competition by submitting a bid better than the then-leading bid. They do this presumably to test their pricing and to gauge the relative level of competition for the deal. There is typically a modest level of bidding and counter-bidding activity among bidders until the final 30 seconds of the auction when bidding activity tends to increase. In the final seconds, all bidders see the then-leading bid and must make

a judgment as to how aggressively to submit their last bid in order to win the deal. At this point in the auction, bidders make their final bid without knowledge of what any other bidders are bidding. We call this a final "blind" bid.

Typically, a number of auctions tailored to the customer's specific needs will be held. Our exchanges provide rapid results and can accommodate a multitude of permutations for offers, including various year terms, quantities, load factors and green power requirements. For commercial and industrial customers or project owners, we typically run two to six auction events per procurement and for large government aggregations that generally are more complex, we typically run 20 to 40 auction events. Each auction event usually lasts 15 minutes or less. Included as part of any auction transaction are date and time stamping of bids, comparison of each bid with benchmark prices, as well as automated stop times, which ensure the integrity of auction events. The exchanges are also periodically synchronized to the atomic clock which is intended to ensure that auction start and stop times are precise.

Following an auction, the auction results are analyzed and if the auction has been successful, we assist the customer with the contracting process with the winning bidder which is typically finalized within several hours of the closing of the last auction event. In the case of a commercial energy consumer, we facilitate any remaining discussion between the leading energy supplier and the energy consumer relating to the energy supplier's contract terms that were not addressed in establishing the auction parameters. In the case of government energy consumers, the energy suppliers have seen and, in general, have agreed to the form of supply contract being required by the government energy consumer. Accordingly, the time period between the end of the auction and the execution of a contract is usually shorter than in the case of non-government energy consumers. Not all auctions result in awarded contracts.

For retail energy transactions, the incumbent local utility serving a given location is typically obligated to deliver the commodity to the customer's premises from the location where the supplier delivers electricity energy into that local utility's delivery system. However, the energy supplier is responsible for enrolling the energy consumer's account with the applicable local utility and the energy supplier remains liable for any costs resulting from the physical loss of energy during transmission and delivery to the customer's premises. We never buy, sell or take title to the energy products or environmental commodities on our auction platforms.

We typically interface directly with the customer throughout the brokerage process. However, if a channel partner is involved, the channel partner will often perform one or more of the following functions: working with a customer to sign a procurement services agreement, interacting with the customer relating to World Energy analyses, supporting the decision-making, and interfacing with the customer during the contracting process. However, even if a channel partner is involved, we are still primarily responsible for tasks such as interacting with utilities to obtain an energy consumer's usage history, performing analyses, creating RFPs, interfacing with bidders, and scheduling, conducting and monitoring auctions and collecting the commission earned from the bidder.

As we build out our procurement capabilities within the retail energy marketplace, we have begun to offer our procurement services to smaller commercial and industrial customers. We refer to these customers as the mid-market. While we still assist end users in procuring their energy needs, we do not utilize our online solution to consummate these transactions. Rather, we gather price quotes directly from competing energy supplier for these customers. We call these types of transactions direct sourcing. While we will still have firm agreements with each respective energy supplier and still get paid by the winning energy supplier based on the amount of energy consumed by the end user, we may or may not have a definitive agreement with the energy user.

Growth Strategy

Our overall objective is to leverage our preeminent position as the exchange of choice for executing transactions in energy and environmental commodities to be a leader in the energy management space.

We seek to achieve our objective by expanding our community of channel partners, customers and bidders on our exchange, strengthening and expanding long-term relationships with government agencies, broadening our product offerings, making strategic acquisitions, and growing our sales force. Key elements of our strategy are as follows:

Continuing to Develop Channel Partner Relationships. A significant amount of the customers using our auction platforms have been introduced to us through our channel partners. Our plan is to focus on developing and increasing our number of channel partner relationships in an effort to expand the base of customers using our auction platforms. We have consistently increased the number of channel partners since 2007 from 42 to 320 at December 31, 2013.

Leveraging New Products such as Demand Response, Risk Management, Bill Management and Efficiency. We continue to expand our offerings either organically, through partnerships or via acquisition (risk management via Energy Gateway, LLC ("Energy Gateway") and efficiency via NES), and sell them to new prospects or existing customers via our sales force and channel network.

Push into the Mid-Market. We see the mid-market as being a viable growth opportunity, and with our acquisition of GSE and NEP we added a base of expertise that can enable us to take their Texas and Connecticut footprints and expand them nationally.

Making Strategic Acquisitions. From time to time, we also pursue strategic acquisitions to help us expand geographically, add expertise and product depth, provide accretive revenue and profit streams or a combination of two or more of the above. We believe with our public currency and automated systems that we are a logical entity to roll up the industry.

Strengthening and Expanding Long-term Relationships with Government Agencies. We intend to continue to build on the relationships we have established with federal, state and local government agencies. We expect that our expertise in brokering cost-saving energy contracts for government agencies will continue to be in demand as contract terms expire and governments look to contract for low energy prices in a competitive market.

Bidders, Listers and Channel Partners

Bidders. Our success is heavily dependent on our bidder relationships, the credibility of our bidders and the integrity of the auction process. Bidders include over 280 competitive electricity and natural gas suppliers and over 200 wholesale electricity suppliers registered on the World Energy Exchange[®], representing a majority of all suppliers in the deregulated electricity and natural gas markets. There are also over 150 users registered to transact for environmental commodities. Of the registered energy suppliers, more than 180 had active contracts with energy consumers that were brokered through our World Energy Exchange[®] as of December 31, 2013. Two of these bidders accounted for 20% in the aggregate of our revenue for the years ended December 31, 2013 and 2012, respectively. In order to participate in an auction event, bidders must register with us by either entering into a standard-form agreement pursuant to which the bidder is granted a license to access our auction platform and bid at auction events or by qualifying to participate in an auction pursuant to a government solicitation. Our national standard form agreement is typically for an indefinite term, may be terminated by either party upon 30 days prior written notice, is non-exclusive, non-transferable and cannot be sublicensed. Under our standard-form agreement or the government solicitation, the bidder agrees to pay us a commission, which varies from contract to contract and is based on a set rate per energy unit consumed by the lister.

Listers. Listers using our auction platform to procure energy, demand response and environmental commodities include government agencies, commercial and industrial energy consumers, utilities, municipal utilities, environmental commodity project owners, financial institutions and brokers. Government energy consumers have complex energy needs in terms of both scope and scale, which we believe can best be met with a technology-based solution such as our exchanges. Additionally, the automated nature of our exchanges is designed to support protest free auctions. We have brokered energy for the General Services Administration ("GSA") and over 25 federal agencies, and numerous county and state governments including the nine Northeast and Mid-Atlantic states participating in RGGI.

Our contracts for the online energy procurements with these governmental entities are typically for multiple years ranging from two to five years. During this contractual period, the governmental entity may run various auctions for different locations or agencies that fall under their purview. As a result, revenue from these customers could extend beyond the actual contractual term. As additional states open their electricity markets to competition and suppliers enter those markets creating a competitive landscape, we plan to actively market our services to them. These contracts do not require that the government energy consumer use our services and, as is typical in government procurements, contain termination for convenience and fiscal funding clauses. If a contract was terminated for convenience, it would typically not have any bearing on energy delivered through the termination date. None of the energy consumers using our auction platform accounted for 10% or more of our aggregate revenue for the years ended December 31, 2013 and 2012, respectively.

Direct Sales. Retail targets of direct sales efforts are typically large companies with facilities in many geographic locations including hotel chains, property management firms, big box retailers, supermarkets, department stores, drug stores, convenience stores, restaurant chains, financial services firms and manufacturers across various industries. We also are pursuing utilities, municipal utilities, and retail energy providers in the wholesale market, and project owners, customers seeking to meet compliance obligations, and brokers in the environmental commodities markets.

Channel Partners. We also target customers through our channel partner model. These are firms with existing client relationships with certain customers that would benefit from the addition of an online procurement solution. Channel partners consist of a diverse array of companies including energy service companies, demand side consultants and manufacturers, ABCs and strategic sourcing companies, but in the most general terms they are resellers or distributors. As of December 31, 2013, we had entered into agreements with 320 channel partners that are currently engaged in efforts to source potential transactions to our exchanges, although not all have sourced a transaction for which an auction has been completed. Upon identifying opportunities with new channel partners, we enter into a channel partner agreement that grants the channel partner a non-exclusive right to sell our procurement process typically for a term of one year, which renews automatically unless terminated upon 30 days written notice. The channel partner receives a commission based generally on the amount of involvement of the channel partner in the procurement process.

Competition

Customers have a broad array of options when purchasing energy or environmental commodities. Retail energy consumers can either purchase energy directly from the utility at the utility's rate or purchase energy in the deregulated market through one of the following types of entities: competitive energy suppliers, ABCs and online brokers. We compete with competitive energy suppliers, ABCs and other online brokers for energy consumers that are seeking an alternative to purchasing directly from the utility. Demand response customers typically negotiate demand response services directly with DRPs. Wholesale customers typically buy from generators, traders, traditional brokers who use phone-based methods, or bid-ask exchanges. Environmental commodity customers

typically buy or sell directly through bilateral transactions, brokers, traders or bid-ask exchanges. Energy Efficiency Services customers typically use small to medium size lighting companies for their lighting efficiency measure. These lighting companies outsource any mechanical efficiency measures to small HVAC contractors.

Technology

The auction platform that powers our exchange is comprised of a scalable transaction processing architecture and web-based user interface. The auction platform is primarily based on internally developed proprietary software, but also includes third party components for user interface elements and reporting. The auction platform supports the selling and buying processes including bid placements, bidder registration and management, channel partner management, deal process management, contract management, site management, collection and commission management, and reporting. The auction platform maintains current and historical data online for all of these components.

Our technology systems are monitored and upgraded as necessary to accommodate increasing levels of traffic and transaction volume on the website. However, future upgrades or additional technology licensing may be required to ensure optimal performance of our auction platform services. See "Risk Factors" at Item 1A. To provide maximum uptime and system availability, our auction platform is hosted in a multi-tiered, secure, and reliable fault tolerant environment which includes backup power supply to computer equipment, climate control, as well as physical security to the building and data center. In the event of a major system component failure, such as a system motherboard, spare servers are available.

We strive to offer a high level of data security in order to build the confidence in our services among customers and to protect the participants' private information. Our security infrastructure has been designed to protect data from unauthorized access, both physically and over the Internet. The most sensitive data and hardware of the exchanges reside at the data centers.

Seasonality

Our revenue is subject to seasonality and fluctuations during the year primarily as a result of weather conditions and its impact on the demand for energy. The majority of our revenue is generated from the commissions we receive under any given energy contract, which is tied to the energy consumer's consumption of energy. Therefore, revenue from natural gas consumption tends to be strongest during the winter months due to the increase in heating usage, and revenue from electricity consumption tends to be strongest during the summer months due to the increase in air conditioning usage. Our revenue is also subject to fluctuations within any given season, depending on the severity of weather conditions — *during a particularly cold winter or an unseasonably warm summer, energy consumption will rise. In addition, transaction revenue in the natural gas and wholesale markets for which we invoice upon completion of the respective transaction tends to be higher in the first and fourth quarters when utilities and natural gas customers make their annual natural gas buys. Energy efficiency services revenue tends to be lowest in the first half of the year and increases in the second half of the year as utilities make a push to spend funds set aside for efficiency projects by the end of the calendar year.*

Intellectual Property

We enter into confidentiality and non-disclosure agreements with third parties with whom we conduct business in order to limit access to and disclosure of our proprietary information.

We operate our platform under the trade name "World Energy Exchange[®]". We own the following registered trademarks in the U.S.: World Energy Solutions[®], World Green Exchange[®], World DR Exchange[®] and World Energy Exchange[®]. We also own the following domain names: worldenergy.com, wesplatform.com, wexch.com, worldenergyexchange.com, worldenergysolutions.com, worldefficiencyexchange.com, worldgreenexchange.com, worlddrexchange.com, worldpowerexchange.com and worldenergysolutionsinc.com. To protect our intellectual property, we rely on a combination of copyright and trade secret laws and the domain name dispute resolution system.

Our corporate name and certain of our trade names may not be eligible for protection if, for example, they are generic or in use by another party. We may be unable to prevent competitors from using trade names or corporate names that are confusingly similar or identical to ours.

We have one patent titled "Method for Receiving Bids on Energy-Savings and Energy Supply Portfolio", which relates to a computer-implemented method for determining an optimal award schedule for satisfaction of energy efficiency and energy supply requirements for a portfolio of one or more buildings.

If we are unable to protect our copyrights, trade secrets or domain names, our business could be adversely affected. Others may claim in the future that we have infringed their intellectual property rights.

Personnel

As of December 31, 2013, we had one hundred twenty-six employees consisting of three members of senior management, fifty-nine sales and marketing employees, seven information technology employees, forty-three supply desk employees and fourteen administrative employees. The extent and timing of any increase in staffing will depend on the availability of qualified personnel and other developments in our business. None of the employees are represented by a labor union, and we believe that we have good relationships with our employees.

Company Information

We commenced operations through an entity named Oceanside Energy, Inc., or Oceanside, which was incorporated under the laws of the State of Delaware on September 3, 1996. We incorporated World Energy Solutions, Inc. under the laws of the State of Delaware under the name "World Energy Exchange, Inc." on June 22, 1999, and on October 31, 1999, Oceanside became a wholly-owned subsidiary of World Energy Solutions, Inc. and was subsequently dissolved. On December 21, 2006, we incorporated a 100% owned subsidiary, World Energy Securities Corp., under the laws of the Commonwealth of Massachusetts.

Our registered and principal office is located at 100 Front Street, Worcester, Massachusetts, 01608, United States of America, and our telephone number is (508) 459-8100. Our website is located at www.worldenergy.com.

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below before deciding to invest in shares of our common stock. If any of the following risks or uncertainties actually occurs, our business, prospects, financial condition and operating results would likely suffer, possibly materially. In that event, the market price of our common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

We had previously restated our prior consolidated financial statements, which may lead to additional risks and uncertainties.

We had restated our previously issued audited consolidated financial statements for the year ended December 31, 2011, and the unaudited financial statements for the quarterly periods ended March 31, 2012, June 30, 2012, and September 30, 2012 included in our Quarterly Reports on Forms 10-Q and the unaudited pro forma disclosures included in our Current Report on Form 8-K/A filed on December 17, 2012 (the "Relevant Periods"). The determination to restate these consolidated financial statements was made by our Board of Directors, based upon the recommendations of the Audit Committee and in consultation with management, following the identification of errors related to the timing of revenue recognition for certain commission payments during the Relevant Periods.

As a result of these events, we have become subject to a number of additional risks and uncertainties, including unanticipated costs for legal fees in connection with or related to the restatements of the Relevant Periods. We may also be subject to litigation and/or regulatory proceedings in connection with or related to the restatements of the Relevant Periods, and such event or events may have a n adverse effect on our business, financial condition, operating results and/or our stock price.

If we are unable to implement and maintain effective internal control over financial reporting in the future, the accuracy and timeliness of our financial reporting may be adversely affected.

As disclosed in Item 9A of this report, we had previously identified a material weakness in our internal control over financial reporting as of December 31, 2012 that resulted in restatements of our previously issued audited consolidated financial statements for the year ended December 31, 2011. During 2013, we undertook specific steps to remediate the material weakness which resulted in our assessing our internal control over financial reporting as effective as of December 31, 2013.

We continue to expand our business through the acquisition of other businesses and technologies which will present special risks.

We continue to expand our business in certain areas through the acquisition of businesses, technologies, products and services from other businesses. Acquisitions involve a number of special problems, including:

- the need to incur additional indebtedness, issue stock or use cash in order to complete the acquisition;
- difficulty integrating acquired technologies, operations and personnel with the existing business;
- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;
- strain on managerial and operational resources as management tries to oversee larger operations;

- the funding requirements for acquired companies may be significant;
- exposure to unforeseen liabilities of acquired companies;
- disputes related to earn-outs or other contractual matters post acquisition;
- increased risk of costly and time-consuming litigation, including stockholder lawsuits; and
- potential issuance of securities in connection with an acquisition with rights that are superior to the rights of our common stockholders, or which may have a dilutive effect on our common stockholders.

We may not be able to successfully address these problems. Our future operating results will depend to a significant degree on our ability to successfully integrate acquisitions and manage operations while also controlling expenses and cash burn.

We may change policies and business practices following acquisitions which may have negative impact on the acquired business and our ability to retain key employees of the acquired entity.

As we continue to acquire businesses we may implement changes around how those acquisitions had traditionally conducted their business in order to drive standardization and efficiencies in the combined entity. Such changes may entail:

- changing payment terms with energy suppliers;
- conforming employee commission plans to match our existing plans; and
- implementing our standard procurement process and procedures and documentation requirements.

These changes may have a negative impact on the continuing business and our ability to retain key personnel of the acquired entity.

A prolonged recession, instability in the financial markets, and insufficient financial sector liquidity, could negatively impact our business.

The consequences of a prolonged recession could include a lower level of economic activity and uncertainty regarding energy prices and the capital and commodity markets. A lower level of economic activity could result in a decline in energy consumption and further weakened commodity markets, which could adversely affect our revenues and future growth. Economic downturns or periods of high energy supply costs typically lead to reductions in energy consumption and increased conservation measures. Instability in the financial markets as a result of a recession or otherwise, as well as insufficient financial sector liquidity, also could affect the cost of capital and our ability to raise capital.

If we are unable to rapidly implement some or all of our major strategic initiatives, our ability to improve our competitive position may be negatively impacted.

Our strategy is to improve our competitive position by implementing certain key strategic initiatives in advance of competitors, including the following:

- leveraging new products such as demand response, risk management, bill management and efficiency;
- continuing to develop channel partner relationships;
- strengthening and expanding long-term relationships with government agencies;
- push into the mid-market; and
- making strategic acquisitions.

While we have made significant progress in pursuing these initiatives, we cannot assure you that we will be successful in executing against any of these key strategic initiatives, or that our time to market will be sooner than that of competitors. Some of these initiatives relate to new services or products for which there are no established markets, or in which we lack experience and expertise. If we are unable to continue to implement some or all of our key strategic initiatives in an effective and timely manner, our ability to improve our competitive position may be negatively impacted, which would have a material adverse effect on our business and prospects.

We currently derive a substantial amount of our revenue from the brokerage of electricity, and as a result our business is highly susceptible to factors affecting the electricity market over which we have no control.

We derived approximately 63 % of our revenue during 2013 from the brokerage of electricity. Although our reliance on the brokerage of electricity has diminished as we implemented our strategy to expand into other markets, we believe that our revenue will continue to be highly dependent on the level of activity in the electricity market for the near future. Transaction volume in the electricity market is subject to a number of variables, such as consumption levels, pricing trends, availability of supply and other

variables. We have no control over these variables, which are affected by geopolitical events such as war, threat of war, terrorism, civil unrest, political instability, environmental or climatic factors and general economic conditions. We are particularly vulnerable during periods when energy consumers perceive that electricity prices are at elevated levels since transaction volume is typically lower when prices are high relative to regulated utility prices. Accordingly, if electricity transaction volume declines sharply, our results will suffer.

Our business is heavily influenced by how much regulated utility prices for energy are above or below competitive market prices for energy and, accordingly, any changes in regulated prices or cyclicalities or volatility in competitive market prices heavily impacts our business.

When energy prices increase in competitive markets above the price levels of the regulated utilities, energy consumers are less likely to lock-in to higher fixed price contracts in the competitive markets and so they are less likely to use our auction platform. Accordingly, reductions in regulated energy prices can negatively impact our business. Any such reductions in regulated energy prices over a large geographic area or over a long period of time would have a material adverse effect on our business, prospects, financial condition and results of operations. Similarly, cyclicalities or volatility in competitive market prices that have the effect of driving those prices above the regulated utility prices will make our auction platform less useful to energy consumers and will negatively impact our business.

Our costs will continue to increase as we expand our business and our revenue may not increase proportionately, resulting in operating losses in the future.

We have significantly increased our operating expenses as we expanded our brokerage capabilities to offer additional energy-related products, increased our sales and marketing efforts, developed our administrative organization and made acquisitions. For the year ended December 31, 2013 we had a pre-tax net loss of approximately \$ 2.9 million. As we continue to invest in our business, we may incur operating losses. In addition, our budgeted expense levels are based, in significant part, on our expectations as to future revenue and are largely fixed in the short term. As a result, we may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall in revenue which could compound those losses in any given fiscal period.

We have a history of operating losses, which may make it difficult for you to evaluate our business and prospects.

We have a history of operating losses and, at December 31, 2013, we had an accumulated deficit of approximately \$19.2 million. You must consider our business, financial history and prospects in light of the risks and difficulties we face as an early stage company with a limited operating history.

Our success depends on the widespread adoption of purchasing electricity from competitive sources.

Our success depends, in large part, on the willingness of CIG energy consumers to embrace competitive sources of supply, and on the ability of our energy suppliers to consistently source electricity at competitive rates. In most regions of North America, energy consumers have either no, or relatively little, experience purchasing electricity in a competitive environment. Although electricity consumers in deregulated regions have been switching from incumbent utilities to competitive sources, there can be no assurance that the trend will continue. In a majority of states and municipalities, including some areas which are technically "deregulated", electricity is still provided by the incumbent local utility at subsidized rates or at rates that are too low to stimulate meaningful competition by other providers. In addition, extreme price volatility could delay or impede the widespread adoption of competitive markets. To the extent that competitive markets do not continue to develop rapidly our prospects for growth will be constrained. Also, there can be no assurance that trends in government deregulation of energy will continue or will not be reversed. Increased regulation of energy would significantly damage our business.

The online brokerage of energy and environmental commodities is a relatively new and emerging market and it is uncertain whether our auction model will gain widespread acceptance.

The emergence of competition in the energy and environmental commodities markets is a relatively recent development, and industry participants have not yet achieved consensus on how to most efficiently take advantage of the competitive environment. We believe that as the online energy brokerage industry matures, it is likely to become dominated by a relatively small number of competitors that can offer access to the largest number of competitive suppliers and consumers. Brokerage exchanges with the highest levels of transaction volume will likely be able to offer bidders lower transaction costs and offer listers better prices, which we believe will increasingly create competitive barriers for smaller online brokerage exchanges. For us to capitalize on our position as an early entrant into this line of business, we will need to generate widespread support for our auction platform and continue to rapidly expand the scale of our operations. Other online auction or non-auction strategies may prove to be more attractive to the industry than our auction model. If an alternative brokerage exchange model becomes widely accepted in the electricity industry and/or the environmental commodities brokerage industry we participate in, our business will be adversely affected.

Even if our auction brokerage model achieves widespread acceptance as the preferred means to transact energy and environmental products, we may be unsuccessful in competing against current and future competitors.

We expect that competition for online brokerage of energy and environmental products will intensify in the near future in response to expanding restructured energy markets that permit consumer choice of energy sources and as technological advances create incentives to develop more efficient and less costly energy procurement in regional and global markets. The barriers to entry into the online brokerage marketplace are relatively low, and we expect to face increased competition from traditional off-line energy brokers, other established participants in the energy industry, online services companies that can launch online auction services that are similar to ours and demand response and energy management service providers.

Many of our competitors and potential competitors have longer operating histories, better brand recognition and significantly greater financial resources than we do. The management of some of these competitors may have more experience in implementing their business plan and strategy and they may have pre-existing commercial or other relationships with large listers and/or bidders which would give them a competitive advantage. We expect that as competition in the online marketplace increases, brokerage commissions for the energy and environmental commodities industries will decline, which could have a negative impact on the level of brokerage fees we can charge per transaction and may reduce the relative attractiveness of our exchange services. We expect that our costs relating to marketing and human resources may increase as our competitors undertake marketing campaigns to enhance their brand names and to increase the volume of business conducted through their exchanges. We also expect many of our competitors to expend financial and other resources to improve their network and system infrastructure to compete more aggressively. Our inability to adequately address these and other competitive pressures would have a material adverse effect on our business, prospects, financial condition and results of operations.

We depend on the services of our senior executives and other key personnel, the loss of whom could negatively affect our business.

Our future performance will depend substantially on the continued services of our senior management and other key personnel, including our chief information officer and our market directors. If any one or more of these persons leave their positions and we are unable to find suitable replacement personnel in a timely and cost efficient manner, our business may be disrupted and we may not be able to achieve our business objectives, including our ability to manage our growth and successfully implement our strategic initiatives. While we have employment agreements with certain of our senior management and key personnel, such agreements permit our employees to terminate their employment at any time and for any reason and to provide only a notice to us prior to their departure.

We must also continue to seek ways to retain and motivate all of our employees through various means, including through enhanced compensation packages. In addition, we will need to hire more employees as we continue to implement our key strategy of building on our market position and expanding our business. Competition for qualified personnel in the areas in which we compete remains strong and the pool of qualified candidates is limited. Our failure to attract, hire and retain qualified staff on a cost efficient basis would have a material adverse effect on our business, prospects, financial condition, results of operations and ability to successfully implement our growth strategies.

We do not have contracts for fixed volumes with the bidders who use our auction platform and we depend on a small number of key bidders, and the partial or complete loss of one or more of these bidders as a participant on our auction platform could undermine our ability to execute effective auctions.

We do not have contracts for fixed volumes with any of the bidders who use our auction platform. Two of these bidders accounted for 20% in the aggregate of our revenue for the years ended December 31, 2013 and 2012, respectively. The loss of these or other significant bidders will negatively impact our operations, particularly in the absence of our ability to locate additional national bidders. We do not have agreements with any of these bidders preventing them from directly competing with us or utilizing competing services.

We depend on a small number of key listers for a significant portion of our revenue, many of which are government entities that have no obligation to use our auction platform or continue their relationship with us, and the partial or complete loss of business of one or more of these consumers could negatively affect our business.

Our listers are comprised primarily of large businesses and government organizations. None of these listers individually represented more than 10% of our revenue for the years ended December 31, 2013 and 2012, respectively. Our government contracts are typically for multiple years but are subject to government funding contingencies and cancellation for convenience clauses. Although our non-government contracts create a short-term exclusive relationship with the lister, typically this exclusivity relates only to the specific auction event and expires during the term of the energy contract. Accordingly, we do not have ongoing commitments from these listers to purchase any of their incremental energy or environmental commodity requirements utilizing our auction platform, and they are not prohibited from using competing brokerage services. The loss of any of these key listers will negatively impact our revenue, particularly in the absence of our ability to attract additional listers to use our service.

We depend on our channel partners to establish and develop certain of our relationships with listers and the loss of certain channel partners could result in the loss of certain key listers.

We rely on our channel partners to establish certain of our relationships with listers. Our ability to maintain our relationships with our channel partners will impact our operations and revenue. We depend on the financial viability of our channel partners and their success in procuring listers on our behalf. One of our channel partners was involved with identifying and qualifying listers which entered into contracts that accounted for 9% and 12% of our revenue for the years ended December 31, 2013 and 2012, respectively. Channel partners may be involved in various aspects of a deal including but not limited to lead identification, the selling process, project management, data gathering, contract negotiation, deal closing and post-auction account management. To the extent that a channel partner ceases to do business with us, or goes bankrupt, dissolves, or otherwise ceases to carry on business, we may lose access to that channel partner's existing client base, in which case the volume of energy traded through the World Energy Exchange [®] will be adversely affected and our revenue will decline.

Our business depends heavily on information technology systems the interruption or unavailability of which could materially damage our operations.

The satisfactory performance, reliability and availability of our exchange, processing systems and network infrastructure are critical to our reputation and our ability to attract and retain listers and bidders to our exchanges. Our efforts to mitigate systems risks may not be adequate and the risk of a system failure or interruption cannot be eliminated. Although we have never experienced a material unscheduled interruption of service, any such interruption in our services may result in an immediate, and possibly substantial, loss of revenue and damage to our reputation.

Our business also depends upon the use of the Internet as a transactions medium. Therefore, we must remain current with Internet use and technology developments. Our current technological architecture may not effectively or efficiently support our changing business requirements.

Any substantial increase in service activities or transaction volume on our exchanges may require us to expand and upgrade our technology, transaction processing systems and network infrastructure. Although we continually monitor infrastructure performance and plan for scalability, there can be no assurance that we will be able to successfully do so, and any failure could have a material adverse effect on our business, results of operations and financial condition.

Breaches of online security could damage or disrupt our reputation and our ability to do business.

To succeed, online communications must provide a secure transmission of confidential information over public networks. Security measures that are implemented may not always prevent security breaches that could harm our business. Although to our knowledge we have never experienced a breach of online security, compromise of our security could harm our reputation, cause users to lose confidence in our security systems and to not source their energy and environmental commodities using our auction platform and also subject us to lawsuits, sanctions, fines and other penalties. In addition, a party who is able to circumvent our security measures could misappropriate proprietary information, cause interruptions in our operations, damage our computers or those of our users, or otherwise damage our reputation and business. Our insurance policies may not be adequate to reimburse us for losses caused by security breaches.

We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. These issues are likely to become more difficult and costly as our business expands.

We depend on third-party service and technology providers and any loss or break-down in those relationships could damage our operations significantly if we are unable to find alternative providers.

We depend on third-party providers for web hosting of our online auction system, data management and other systems, as well as communications and networking equipment, computer hardware and software and related support and maintenance. There can be no assurance that any of these providers will be able to continue to provide these services without interruption and in an efficient, cost-effective manner or that they will be able to adequately meet our needs as our transaction volume increases. An interruption in or the cessation of such third-party services and our inability to make alternative arrangements in a timely manner, or at all, could have a material adverse effect on our business, financial condition and operating results. There is also no assurance that any agreements that we have in place with such third-party providers will be renewed, or if renewed, renewed on favorable terms.

To the extent that we expand our operations into foreign markets, additional costs and risks associated with doing business internationally will apply.

It is possible that we will have international operations in the future. These operations may include the brokering of green credits in countries signatory to international treaties and the brokering of energy in other geographic markets where we believe the demand for our services may be strong. To the extent we enter geographic markets outside of the U.S. our international operations will be subject to a number of risks and potential costs, including:

- different regulatory requirements governing the energy marketplace;
- difficulty in establishing, staffing and managing international operations;
- regulatory regimes governing the Internet and auctioneering that may limit or prevent our operations in some jurisdictions;
- different and more stringent data privacy laws;
- differing intellectual property laws;
- differing contract laws that prevent the enforceability of agreements between energy suppliers and energy consumers;
- the imposition of special taxes, including local taxation of our fees or of transactions through our exchange;
- strong local competitors;
- currency fluctuations; and
- political and economic instability.

Our failure to manage the risks associated with international operations could limit the future growth of our business and adversely affect our operating results. We may be required to make a substantial financial investment and expend significant management efforts in connection with any international expansion.

The application of taxes including sales taxes and other taxes could negatively affect our business.

The application of indirect taxes (such as sales and use tax, value added tax, goods and services tax, business tax, and gross receipt tax) to e-commerce businesses and our users is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of the Internet and e-commerce. In many cases, it is not clear how existing statutes apply to the Internet or e-commerce. In addition, some jurisdictions have implemented or may implement laws specifically addressing the Internet or some aspect of e-commerce. The application of existing or future laws could have adverse effects on our business.

Several proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. These proposals, if adopted, could substantially impair the growth of e-commerce, and could diminish our opportunity to derive financial benefit from our activities. The U.S. federal government's moratorium on states and other local authorities imposing access or discriminatory taxes on the Internet is effective through November 1, 2014. This moratorium, however, does not prohibit federal, state, or local authorities from collecting taxes on our income or generally from collecting taxes that are due under existing tax rules.

In conjunction with the Streamlined Sales Tax Project — an ongoing, multi-year effort by certain state and local governments to require collection and remittance of distant sales tax by out-of-state sellers — bills have been introduced in the U.S. Congress to overturn the Supreme Court's *Quill* decision, which limits the ability of state governments to require sellers outside of their own state to collect and remit sales taxes on goods purchased by in-state residents. An overturning of the *Quill* decision would harm our users and our business.

The passage of new legislation and the imposition of additional tax requirements could increase the costs to bidders and listers using our auction platform and, accordingly, could harm our business. There have been, and will continue to be, ongoing costs associated with complying with the various indirect tax requirements in the numerous states, localities or countries in which we currently conduct or will conduct business.

U.S. federal or state legislative or regulatory reform of the current systems governing commodities or energy may affect our ability to conduct our business profitably.

We are currently not regulated as an energy provider or commodities dealer. Changes to the laws or regulations governing activities related to commodities trading or energy procurement, supply, distribution or sale, or transacting in energy-related products or securities could adversely affect the profitability of our brokerage operations or even our ability to conduct auctions. Changes to the

current regulatory framework could result in additional costs and expenses or prohibit certain of our current business activities or future business plans. We cannot predict the form any such legislation or rule making may take, the probability of passage, and the ultimate effect on us.

Risks Relating to Our Energy Efficiency Business

Our business depends in part on support from gas and electric utilities for energy efficiency, and a decline in such support could harm our business.

Our energy efficiency services business depends in large part on government legislation and policies that support energy efficiency projects and that enhance the economic feasibility of our energy efficiency services for customers. Several of the states in which we operate support our customers' investments in energy efficiency through legislation and regulations that provide financial incentives for customers to procure our energy efficiency services.

Our customers frequently depend on these programs to help justify the costs associated with, and to finance energy efficiency projects. If any of these incentives are adversely amended, eliminated or not extended beyond their current expiration dates, or if funding for these incentives is reduced, it could adversely affect our ability to complete projects for our existing customers and obtain project commitments from new customers.

Failure of our subcontractors to properly perform their services in a timely manner could cause delays in the delivery of our energy efficiency projects which could damage our reputation, have a negative impact on our relationships with our customers and adversely affect our growth.

Our success depends on our ability to provide quality, reliable energy efficiency services in a timely manner, which in part requires the proper removal and installation of lighting, mechanical and electrical systems by our subcontractors upon which we depend. Substantially all of our energy efficiency solutions are installed by subcontractors. Any delays, malfunctions, inefficiencies or interruptions in our energy efficiency services caused by improper installation by our subcontractors could cause us to have difficulty retaining current customers and attracting new customers. Such delays could also result in additional costs that could affect the profit margin of our projects. In addition, our brand, reputation and growth could be negatively impacted.

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

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

Our costs of complying with current and future health and safety laws, regulations and permit requirements, and any liabilities, fines or other sanctions resulting from violations of them, could adversely affect our business, financial condition and operating results.

Our retrofitting process often involves responsibility for the removal and disposal of components containing hazardous materials and at times requires that our subcontractors work in hazardous conditions, either of which could give rise to a claim against us.

When we retrofit a customer's facility, we typically assume responsibility for removing and disposing of its existing lighting fixtures. Certain components of these fixtures contain trace amounts of mercury and other hazardous materials. Older components may also contain trace amounts of polychlorinated biphenyls, or PCBs. We utilize licensed and insured hazardous wastes disposal companies to remove and/or dispose of such components. Failure to properly handle, remove or dispose of the components containing these hazardous materials in a safe, effective and lawful manner could give rise to liability for us, or could expose our workers or other persons to these hazardous materials, which could result in claims against us. A successful personal injury claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages and could materially adversely affect our results of operations and financial condition.

Risks Relating to Intellectual Property

We may be unable to adequately protect our intellectual property, which could harm us and affect our ability to compete effectively.

We have developed proprietary software, logos, brands, service names and web sites, including our proprietary auction platform. We have taken certain limited steps to protect our proprietary intellectual property (including consulting with outside patent

and trademark counsel regarding protection of our intellectual property and implementing a program to protect our trade secrets). While we have been issued a patent, the patent relates to a computer implemented method for determining an optimal award schedule for satisfaction of energy efficiency and energy supply requirements for a portfolio of one or more buildings. We have not applied for any patents for our auction platform. We have registered the following trademarks in the U.S. and certain other countries: World Energy Solutions[®], World Green Exchange[®], World DR Exchange[®] and World Energy Exchange[®] and filed applications for these trademarks in additional countries. The steps we have taken to protect our intellectual property may be inadequate to deter misappropriation of our proprietary information or deter independent development of similar technologies by others. We may not be able to prevent the unauthorized disclosure or use of our technical knowledge or trade secrets by consultants, vendors, former employees and current employees, despite the existence of confidentiality agreements and other contractual restrictions. If our intellectual property rights are not adequately protected, we may not be able to continue to commercialize our services. We may be unable to detect the unauthorized use of, or take adequate steps to enforce, our intellectual property rights. In addition, certain of our trade names may not be eligible for protection if, for example, they are generic or in use by another party. Accordingly, we may be unable to prevent competitors from using trade names that are confusingly similar or identical to ours.

Our auction platform, services, technologies or usage of trade names could infringe the intellectual property rights of others, which may lead to litigation that could itself be costly, could result in the payment of substantial damages or royalties, and/or prevent us from using technology that is essential to our business.

Although no third party has threatened or alleged that our auction platform, services, technologies or usage of trade names infringe their patents or other intellectual property rights, we cannot assure you that we do not infringe the patents or other intellectual property rights of third parties.

Infringement and other intellectual property claims and proceedings brought against us, whether successful or not, could result in substantial costs and harm to our reputation. Defending our intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect our business, financial condition, and operating results. If our business is successful, the possibility may increase that others will assert infringement claims against us.

We use intellectual property licensed from third parties in our operations. There is a risk that such licenses may be terminated, which could significantly disrupt our business. In such an event, we may be required to spend significant time and money to develop a non-infringing system or process or license intellectual property that does not infringe upon the rights of that other party or to obtain a license for the intellectual property from the owner. We may not be successful in that development or any such license may not be available on commercially acceptable terms, if at all. In addition, any litigation could be lengthy and costly and could adversely affect us even if we are successful in such litigation.

Our corporate name and certain of our trade names may not be eligible for protection if, for example, they are generic or in use by another party. We may be unable to prevent competitors from using trade names or corporate names that are confusingly similar or identical to ours.

Risks Relating to Ownership of Our Common Stock

Our corporate documents and Delaware law make a takeover of our Company more difficult, we have a classified board of directors and certain provisions of our certificate of incorporation and by-laws require a super-majority vote to amend, all of which may prevent certain changes in control and limit the market price of our common stock.

Our charter and by-laws contain provisions that might enable our management to resist a takeover of our Company. Our certificate of incorporation and by-laws establish a classified board of directors such that our directors serve staggered three-year terms and do not all stand for re-election every year. In addition, any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before the meeting and may not be taken by written action in lieu of a meeting, and special meetings of the stockholders may only be called by the chairman of the Board, the Chief Executive Officer or our Board. Further, our certificate of incorporation provides that directors may be removed only for cause by the affirmative vote of the holders of 75% of our shares of capital stock entitled to vote, and any vacancy on our Board, including a vacancy resulting from an enlargement of our Board, may only be filled by vote of a majority of our directors then in office. In addition, our by-laws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of persons for election to the Board. These provisions of our certificate of incorporation and by-laws, including those setting forth the classified board, require a super-majority vote of stockholders to amend. These provisions might discourage, delay or prevent a change in the control of our company or a change in our management. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock.

Because our stock trading volume is low historically, you may not be able to resell your shares at or above your purchase price.

We cannot predict the extent to which investors' interests will provide an active trading market for our common stock or whether the market price of our common stock will be volatile. The following factors, many of which are outside of our control, could cause the market price of our common stock to decrease significantly from recent prices:

- loss of any of the major listers or bidders using our auction platform;
- departure of key personnel;
- variations in our quarterly operating results;
- announcements by our competitors of significant contracts, new transaction capabilities, enhancements, lower fees, acquisitions, distribution partnerships, joint ventures or capital commitments;
- changes in governmental regulations and standards affecting the energy industry and our products, including implementation of additional regulations relating to consumer data privacy;
- decreases in financial estimates by equity research analysts;
- sales of common stock or other securities by us in the future; and
- fluctuations in stock market prices and volumes.

In the past, securities class action litigation often has been initiated against a company following a period of volatility in the market price of the Company's securities. If class action litigation is initiated against us, we will incur substantial costs and our management's attention will be diverted from our operations. All of these factors could cause the market price of our stock to decline, and you may lose some or all of your investment. Also due to the size of the market capitalization of our shares, the market for our common stock may be volatile and may not afford a high level of liquidity.

Our directors, executive officers and affiliates have substantial control over us and could limit your ability to influence the outcome of key transactions, including changes of control.

As of December 31, 2013 our executive officers and directors, affiliates and entities affiliated with them, beneficially own, in the aggregate, approximately 17 % of our outstanding common stock. Our executive officers, directors, affiliates and affiliated entities, if acting together, would be able to control or influence significantly all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other significant corporate transactions. These stockholders may have interests that differ from yours, and they may vote in a way with which you disagree and that may be adverse to your interests. The concentration of ownership of our common stock may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company, and may affect the market price of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We do not own any real property. We lease the business premises in the following locations for the stated principal uses:

Location	Floor Space (Sq. Ft.)	Principal Use
100 Front Street, Worcester, MA (1)	12,400	Executive office and general administration
1215 19 th Street NW, Washington, DC (2)	200	Branch office
200 Barr Harbor Drive, West Conshohocken, PA (3)	350	Branch office
6500 Emerald Parkway, Dublin, OH (4)	3,571	Branch office
2 Alcap Ridge, Cromwell, CT (5)	4,120	Branch office
174 South Road, Enfield, CT (6)	13,350	Branch office
550 Bailey Avenue, Fort Worth, TX (7)	2,989	Branch office
2626 Cole Avenue, Dallas, TX (8)	4,199	Branch office
1225 North Loop West, Houston, TX (9)	3,090	Branch office
2000 Town Center, Suite 1900, Southfield, MI (10)	198	Branch office

Note:

- (1) Pursuant to a 123-month lease agreement with Berkley Investments, Inc., expiring October 31, 2022, at a monthly rate of \$20,408 escalating to \$30,254 at an increased floor space of 14,971 square feet, including a base charge for operating expenses and taxes.
- (2) Pursuant to an at will lease agreement with Roosevelt Land, LP, at a monthly rate of \$2,800 including a base charge for operating expenses and taxes.
- (3) Pursuant to a six-month lease agreement with Regus Management Group, LLC, expiring March 31, 2014 at a monthly rate escalating to \$3,283 plus certain operating expenses.
- (4) Pursuant to a 62-month lease agreement with BRE/COH OH, LLC, expiring March 31, 2018, at a monthly rate escalating to \$3,869, plus certain operating expenses and taxes.
- (5) Pursuant to a five-year lease agreement with Alcap Associates, expiring November 30, 2015, at a monthly rate escalating to \$1,782, plus certain operating expenses and taxes.
- (6) Pursuant to a five-year lease agreement with 174 South Management, LLC, expiring September 30, 2017, at a monthly rate of \$10,013, plus certain operating expenses and taxes.
- (7) Pursuant to a five-year lease agreement with GC Museum Partners, LP, terminated January 31, 2014 at a monthly rate escalating to \$6,558, plus certain operating expenses and taxes. A five-year lease commenced February 1, 2014 for floor space of 1,489 square feet, with monthly rent escalating to \$3,615.
- (8) Pursuant to a 66-month lease agreement with VRS/TA – Cole / Woodview, LP, expiring November 30, 2017 at a monthly rate escalating to \$9,098, including a base charge for operating expenses and taxes.
- (9) Pursuant to a 64-month lease agreement with 1225 North Loop Investments, Inc., expiring April 30, 2014, at a monthly rate of \$4,506 including a base charge for operating expenses and taxes.
- (10) Pursuant to a 24-month lease agreement with Regus Management Group, LLC, expiring February 28, 2015, at a monthly rate escalating to \$1,699, plus certain operating expenses and taxes.

Item 3. Legal Proceedings

Three former employees/consultants of GSE Consulting, LP (“GSE”) have filed three separate complaints in Texas County Court alleging, among other things, claims related to breach of contract, quantum meruit, promissory estoppel, and tortious interference. Each plaintiff claims that GSE and/or we failed to pay commissions due for services that they provided prior to the date of the Company’s purchase of certain GSE assets, based on their respective employment or independent contractor agreements with GSE. Each plaintiff has also asserted claims for recovery of their attorneys’ fees. We deny the allegations and have filed counterclaims for damages, asserting claims for conversion, unjust enrichment, misappropriation of confidential information, and violation of the Texas Theft Liability Act against each of the plaintiffs. We have also filed a counterclaim against one of the plaintiffs for her breach of a non-competition and non-solicitation agreement, based on her working for a competitor of ours during her one-year restrictive period and her improper solicitation of former GSE customers on behalf of the competitor. We also filed cross claims against GSE for indemnification under the Asset Purchase Agreement in each of the three cases. In two of these cases, the Plaintiffs have asserted claims against GSE affiliates and their individual principals. The GSE affiliates and principals have also asserted cross claims against us seeking indemnification under the Asset Purchase Agreement. In December 2013, GSE amended its cross claims in one of the matters to include claims asserting breaches of the earnout provisions in the Asset Purchase Agreement. Also, in December 2013, we entered into mediation discussions with one of the plaintiffs. As a result, we agreed to pay the plaintiff a certain settlement that is subject to a confidentiality clause. Such amount was not material to our consolidated operating results or financial position. In return, the plaintiff agreed to drop all claims against us including all claims related to commissions due for past service. The settlement agreement was signed and filed with the court in January 2014. The Court assigned a trial date of May 5, 2014 for the cross claims remaining in the matter. Discovery has concluded in the remaining two matters and the court has assigned a trial date of September 29, 2014 for one of the cases. The remaining case is awaiting assignment of a trial date. We are awaiting a decision on its motion for summary judgment seeking dismissal of all claims against one of the two remaining plaintiffs, and are in the process of filing a motion for summary judgment against the other plaintiff.

We have estimated the potential commissions allegedly due to the two remaining plaintiffs to be approximately \$0.3 million. We have not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on our belief that any potential loss, while reasonably possible, is not probable. We intend to defend these actions vigorously and are currently unable to estimate a range of payments, if any, we may be required to pay, with respect to these claims. Further, we believe that the resolution of these matters will not result in a material effect to our consolidated financial statements. However, due to uncertainties

that accompany litigation of this nature, there could be no assurance that we will be successful, and the resolution of the lawsuits could have a material effect on our consolidated financial statements.

From time to time, we may be subject to legal proceedings and claims arising from the conduct of our business operations, including litigation related to employment matters. While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits, we believe that the aggregate amount of such liabilities, if any, will not have a material adverse effect on our consolidated financial position and/or results of operations. It is possible, however, that future financial position or results of operations for any particular period could be materially affected by changes in our assumptions or strategies related to those contingencies or changes out of our control.

Item 4. Mine Safety Disclosures

None.

PART II

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

We trade on the NASDAQ Capital Market under the symbol XWES. Our common stock began trading on the TSX on November 16, 2006, and on the NASDAQ on April 6, 2009. Prior to trading on the TSX, there was no established public trading market for our common stock. Effective at the close of trading on December 31, 2010, we voluntarily delisted from the TSX.

The following table sets forth the high and low closing prices per share reported on the NASDAQ for the years 2013 and 2012 (in U.S. \$'s):

	<u>High</u>	<u>Low</u>
2013:		
First quarter	\$ 5.30	\$ 3.68
Second quarter	\$ 4.17	\$ 3.56
Third quarter	\$ 3.95	\$ 3.20
Fourth quarter	\$ 4.25	\$ 3.20
2012:		
First quarter	\$ 5.04	\$ 3.04
Second quarter	\$ 4.78	\$ 2.85
Third quarter	\$ 4.42	\$ 2.83
Fourth quarter	\$ 5.39	\$ 4.10

On March 21, 2014, the last reported sale price of our common stock on the NASDAQ was \$4.75 per share and there were 85 holders of record of our common stock.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain our future earnings, if any, to finance the expansion of our business and do not expect to pay any dividends in the foreseeable future.

Information regarding our equity compensation plans required by this item is incorporated by reference to the information appearing under the caption "Equity Compensation Plan Information" in our definitive Proxy Statement for the 2014 Annual Meeting of Stockholders.

On January 9, 2014, we received a letter as part of a 13D filing from Ardsley Partners and its affiliates ("Ardsley"), a 7.5% owner of our shares, regarding the strategic direction and Board composition of the Company. In particular, Ardsley believes that we should regain focus on the Energy Procurement business, cease all investments into the Energy efficiency services segment and explore a sale of those assets. On March 11, 2014 we entered into a Settlement and Standstill Agreement with Ardsley to increase the size of our Board from five to seven and appoint two new directors to the Board immediately. In addition, we agreed to form a Strategic Alternatives Committee to work with management and professional advisors to identify and review financial and strategic alternatives to enhance our revenue and value. We note that no decision had been made to pursue any transaction and that there can be no assurance that the strategic review process will result in the completion of any particular course of action or transaction.

Repurchase of Equity Securities

In connection with the vesting of restricted stock granted to employees, we withheld shares with value equivalent to employees' minimum statutory obligations for the applicable income and other employment taxes. A summary of the shares withheld to satisfy employee tax withholding obligations for the three months ended December 31, 2013 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under The Plan
10/01/13 – 10/31/13	-	\$ -	-	-
11/01/13 – 11/30/13	39	\$ 3.93	-	-
12/01/13 – 12/31/13	-	\$ -	-	-
Total	39	\$ 3.93	-	-

Item 6. Selected Consolidated Financial Data

Not applicable.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this Annual Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

World Energy offers a range of energy management solutions to commercial and industrial businesses, institutions, utilities, and governments to reduce their overall energy costs. We come to market with a holistic approach to energy management helping customers a) contract for a competitive price for energy, b) engage in energy efficiency projects to minimize quantity used and c) pursue available rebate and incentive programs. We made our mark on the industry with an innovative approach to procurement via our online auction platform, the World Energy Exchange[®]. With recent investments and acquisitions, we are building out our energy efficiency practice by engaging new customers while also pursuing more cross-selling opportunities for our procurement services.

We provide energy management services utilizing state-of-the-art technology and the experience of a seasoned management team to bring lower energy costs to its customers. We use a simple equation

$$E = P \cdot Q - i$$

to help customers to understand the holistic nature of the energy management problem. Total energy cost (E) is a function of Energy Price (P) times the Quantity of Energy Consumed (Q), minus any rebates or incentives (i) the customer can earn. This approach not only makes energy management more approachable for customers, simplifying what has become an increasingly dynamic and complex problem, it also highlights the inter-related nature of the energy management challenge. We assert that point solution vendors may optimize one of the three elements, but we believe it takes looking at the problem holistically to unlock the most savings.

Acquisitions

Acquisitions are an important component of our business strategy. Our focus is on both our core procurement business as well as new product lines within the energy management services industry such as energy efficiency services.

On October 3, 2012, we acquired substantially all of the assets and assumed certain obligations of Northeast Energy Partners, LLC ("NEP") pursuant to an Asset Purchase Agreement (the "Asset Purchase Agreement") between us, NEP, and its members. NEP was a Connecticut based energy management and procurement company. The purchase price was approximately \$7.9 million in cash and a \$2.0 million Promissory Note with NEP (the "NEP Note"). The NEP Note bears interest at an annual rate of 4% with \$1.5 million of principal plus interest due on October 1, 2013 and the remaining \$500,000 of principal plus interest due April 1, 2014. NEP could have earned up to an additional \$2.5 million in cash and 153,153 in shares based on achieving certain revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") targets for the 12-month period ending September 30, 2013, as defined. On October 1, 2013, we made the \$1.5 million principal and interest payment against the NEP Note. In addition, on December 31, 2013, we paid NEP \$1.25 million and issued 76,577 shares of common stock representing the final contingent consideration payment for this acquisition. As a result, we decreased the accrued contingent consideration related to NEP by \$0.6 million to \$0 at December 31, 2013.

During the third and fourth quarters of 2011 we acquired the energy procurement business of Co-eXprise, Inc. ("Co-eXprise"), Northeast Energy Solutions, LLC ("NES") and GSE Consulting, LP ("GSE"). These acquisitions expanded our capabilities in the Energy efficiency services segment, enabled us to enter the growing small- and medium-sized customer Energy procurement marketplaces, and consolidate the large commercial, industrial and government auction space. With the acquisition of NES, we are managing the business as two business segments: Energy procurement and Energy efficiency services.

Our business model is heavily dependent on our people. We have significantly grown our employee base from 20 at the time of our initial public offering in November 2006 to 126 at December 31, 2013. This planned investment in staffing has been, and will continue to be, a key component of our strategic initiatives and revenue growth. These infrastructure investments will result in increased operating costs in the short-term, but in the long-term we expect them to generate cash flow and profitability as we build the incremental revenue. To date we have funded our acquisitions and strategic investments primarily with cash on-hand, notes payable, cash from operations and, most recently, long-term notes payable. We have also deferred portions of the purchase prices through the use of earn-outs that are tied to the ongoing performance of the acquired entity. Through the utilization of seller notes and earn-outs, we have been able to finance a portion of the cost of the acquisitions over time with the targets' ongoing cash flow. These acquisition activities will increase our operating costs both in the short and long-term and may require us to borrow against our current credit facility and/or raise funds through additional capital raises.

Operations

Revenue

Retail Electricity Transactions

We earn a monthly commission on energy sales contracted through our online auction platform from each bidder or energy supplier based on the energy usage transacted between the bidder and lister or energy consumer. Our commissions are not based on the retail price for electricity; rather on the amount of energy consumed. Commissions are calculated based on the volume of energy usage transacted between the energy supplier and energy consumer multiplied by our contractual commission rate. Our contractual commission rate is negotiated with the energy consumer on a procurement-by-procurement basis based on energy consumer specific circumstances, including the size of auction, the effort required to organize and run the respective auction and competitive factors, among others. Once the contractual commission is agreed to with the energy consumer, all energy suppliers participating in the auction agree to that rate. That commission rate remains fixed for the duration of the contractual term regardless of energy usage. Energy consumers provide us with a letter of authorization to request their usage history from the local utility. We then use this data to compile a usage profile for that energy consumer that will become the basis for the auction. This data may also be used to estimate revenue on a going forward basis, as noted below.

Historically, our revenue and operating results have varied from quarter-to-quarter and are expected to continue to fluctuate in the future. These fluctuations are primarily due to the buying patterns of our wholesale and natural gas customers, which tend to have large, seasonal purchases during the fourth and first quarters and electricity usage having higher demand in our second and third quarters. In addition, the activity levels on the World Energy Exchange^{*} can fluctuate due to a number of factors, including market prices, weather conditions, energy consumers' credit ratings, the ability of suppliers to obtain financing in credit markets, and economic and geopolitical events. To the extent these factors affect the purchasing decisions of energy consumers our future results of operations may be affected. Contracts between energy suppliers and energy consumers are signed for a variety of term lengths, with a one to two year contract term being typical for commercial and industrial energy consumers, and government contracts typically having two to three year terms.

We do not invoice our electricity energy suppliers for monthly commissions earned and, therefore, we report a substantial portion of our receivables as "unbilled." Unbilled accounts receivable represents management's best estimate of energy provided by the energy suppliers to the energy consumers for a specific completed time period at contracted commission rates and is made up of two components. The first component represents energy usage for which we have received actual data from the supplier and/or the utility, but for which payment has not been received at the balance sheet date. The majority of our contractual relationships with energy suppliers require them to supply actual usage data to us on a monthly basis and remit payment to us based on that usage. The second component represents energy usage for which we have not received actual data, but for which we have estimated usage. Commissions paid in advance by certain bidders are recorded as deferred revenue and amortized to commission revenue on a monthly basis on the energy exchanged that month.

Retail Natural Gas Transactions

There are two primary fee components to our retail natural gas services: transaction fees and management fees. Transaction fees are billed to and paid by the energy supplier awarded business on the platform. These fees are established prior to award and are the same for each supplier. For the majority of our natural gas transactions, we bill the supplier upon the conclusion of the transaction based on the estimated energy volume transacted for the entire award term multiplied by the transaction fee. Management fees are paid by our energy consumers and are generally billed on a monthly basis for services rendered based on terms and conditions included in contractual arrangements. While substantially all of our retail natural gas transactions are accounted for in accordance with this policy, a significant percentage is accounted for as the natural gas is consumed by the energy consumer and recognized as revenue in accordance with the retail electricity transaction revenue recognition methodology described above.

Mid-Market Transactions

We earn a monthly commission on energy sales from each energy supplier based on the energy usage transacted between the energy supplier and energy consumer. The commissions are not based on the retail price for electricity but rather on the amount of energy consumed. Commissions are calculated based on the energy usage transacted between the energy supplier and energy consumer multiplied by our contractual commission rate. Revenue from commissions is recognized as earned over the life of each contract as energy is consumed, provided there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the fee is reasonably assured, and customer acceptance criteria, if any, has been successfully demonstrated. We generally recognize revenue on these transactions when we have received verification from the electricity supplier of the end-users power usage and electricity supplier's subsequent collection of the fees billed to the end user. The verification is generally accompanied with payment of the agreed upon fee to us, at which time the revenue is recognized. Commissions paid in advance are recorded as customer advances and are recognized monthly as commission revenue based on the energy exchanged that month. To the extent we do not receive verification of actual energy usage or we cannot reliably estimate what actual energy usage was for a given period, revenue is deferred until usage and collection data is received from the energy supplier. To the extent that we do not receive actual usage data from the energy supplier, we will recognize revenue at the end of the contract flow date.

Demand Response Transactions

Demand response transaction fees are recognized when we have received confirmation from the DRP that the energy consumer has performed under the applicable RTO or ISO program requirements. The energy consumer is either called to perform during an actual curtailment event or is required to demonstrate its ability to perform in a test event during the performance period. For the PJM, the performance period is June through September in a calendar year. Test results are submitted to the PJM by the DRPs and we receive confirmation of the energy consumer's performance in the fourth quarter. DRPs typically pay us ratably on a quarterly basis throughout the demand response fiscal (June to May) year. As a result, a portion of the revenue we recognize is reflected as unbilled accounts receivable.

Wholesale and Environmental Commodity Transactions

Wholesale transaction fees are invoiced upon the conclusion of the auction based on a fixed fee. These revenues are not tied to future energy usage and are recognized upon the completion of the online auction. For reverse auctions where our customers bid for a consumer's business, the fees are paid by the bidder. For forward auctions where a lister is selling energy products, the fees are typically paid by the lister. While substantially all wholesale transactions are accounted for in this fashion, a small percentage of our wholesale revenue is accounted for as electricity or gas is delivered, similar to the retail electricity transaction methodology described above.

Environmental commodity transaction fees are accounted for utilizing two primary methods. For regulated allowance programs like RGGI, fees are paid by the lister and are recognized quarterly as revenue as auctions are completed and approved. For most other environmental commodity transactions both the lister and the bidder pay the transaction fee and revenue is recognized upon the consummation of the underlying transaction as credits are delivered by the lister and payment is made by the bidder.

Energy Efficiency Services

Our Energy efficiency services segment is primarily project driven where we identify efficiency measures that energy consumers can implement to reduce their energy usage. We present retrofit opportunities to customers, get approval from them to proceed and submit the proposal to the local utility for pre-approval and determination of available incentives. Once the utility approves funding for the project, we install the equipment, typically new heating, ventilation or air conditioning equipment, or replace lighting fixtures to more efficient models. We recognize revenue for Energy efficiency services when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Due to the short-term nature of projects (typically two to three weeks), we utilize the completed-contract method. We also assess multiple contracts entered into by the same customer in close proximity to determine if the contracts should be combined for revenue recognition purposes. Revenues are recognized based upon factors such as passage of title, installation, payments and customer acceptance.

Cost of revenue

Cost of revenue consists primarily of:

- salaries, bonus and commissions, employee benefits and share-based compensation associated with our auction management and efficiency services, which are directly related to the development and production of the online auction and maintenance of market-related data on our auction platform and monthly management fees (our supply desk function);
- project costs including direct labor equipment and materials directly associated with efficiency projects; and
- rent, depreciation and other related overhead and facility-related costs.

Sales and marketing

Sales and marketing expenses consist primarily of:

- salaries, bonus and commissions, employee benefits and share-based compensation related to sales and marketing personnel;
- third party commission expenses to our channel partners;
- travel and related expenses;
- amortization related to customer relationships and contracts;
- rent, depreciation and other related overhead and facility-related costs; and
- general marketing costs such as trade shows, marketing materials and outsourced services.

General and administrative

General and administrative expenses consist primarily of:

- salaries, bonus and commissions, employee benefits and share-based compensation related to general and administrative personnel;
- accounting, legal, investor relations, information technology, insurance and other professional fees; and
- rent, depreciation and other related overhead and facility-related costs.

Interest expense, net

Interest expense, net consists primarily of:

- interest income earned on cash held in the bank; and
- interest expense related to bank term loans, notes payable and contingent consideration.

Income tax expense

In 2013 we incurred a taxable loss that resulted in a \$0.6 million income tax benefit for the year. At December 31, 2013, our accompanying consolidated financial statements reflected deferred tax assets of \$8.1 million that included our taxable loss for the year, net of the expiration of certain state loss carryforwards. During 2012, management considered the weight of all available evidence, both positive and negative, and determined that it was more likely than not that we would be able to benefit our deferred tax assets at December 31, 2012 and, as a result, we reversed our valuation allowance in the fourth quarter of 2012. The income tax expense recorded in 2012 reflects an alternative minimum tax ("AMT") liability and certain state and local tax liabilities incurred in those years. As of December 31, 2013, we had cumulative taxable income for the past three years and have applied our NOL's against this taxable income up to certain limitations.

Results of Operations

The following table sets forth certain items as a percent of revenue for the periods presented:

Comparison of the Years Ended December 31, 2013 and 2012

	For the Years Ended December 31,		
	2013	2012	2011
Revenue	100%	100%	100%
Cost of revenue	27	32	20
Gross profit	73	68	80
Operating expenses:			
Sales and marketing	56	48	52
General and administrative	22	25	28
Operating income (loss)	(5)	(5)	0
Other income (expense), net	(3)	(2)	0
Income tax (expense) benefit	1	24	0
Net income (loss)	(7%)	17%	0%

Revenue

	For the Years Ended December 31,		Increase (Decrease)	
	2013	2012		
Energy procurement	\$ 28,892,275	\$ 24,476,054	\$ 4,416,221	18%
Energy efficiency services	5,784,840	7,302,783	(1,517,943)	(21)
Total revenue	\$ 34,677,115	\$ 31,778,837	\$ 2,898,278	9%

Revenue increased 9 % for the year ended December 31, 2013 as compared to the same period in 2012 due to an 18% increase in our Energy procurement segment, partially offset by a 21% decrease in revenue from our Energy efficiency services segment. Our Energy procurement segment revenue increased due to the acquisition of NEP, increased revenue from our mid-market product line and increased transaction activity from large, commercial and industrial customers in our retail product line. The Energy efficiency services segment decline reflects the turnover in the Massachusetts sales team in the early part of 2013.

Cost of revenue

	For the Years Ended December 31,					
	2013		2012			
	\$	% of Revenue	\$	% of Revenue	Decrease	
Energy procurement	\$ 4,650,669	16%	\$ 4,739,344	19%	\$ (88,675)	(2%)
Energy efficiency services	4,665,922	81	5,330,013	73	(664,091)	(12)
Total cost of revenue	\$ 9,316,591	27%	\$ 10,069,357	32%	\$ (752,766)	(7%)

Cost of revenue decreased 7 % for the year ended December 31, 2013 as compared to the same period in 2012 primarily due to decreases in equipment, material and labor costs associated with projects completed by our Energy efficiency services segment. Cost of revenue for our Energy procurement segment decreased 2% due to decreases in amortization expense and employee bonus and commission costs, both offset by increased costs associated with our acquisition of NEP. Cost of revenue associated with our Energy procurement segment as a percent of revenue decreased by 3% primarily due to the 18% increase in revenue. Cost of revenue associated with our Energy efficiency services segment decreased 12% primarily due to a decrease in project costs associated with the 21% decrease in revenue. This decrease was partially offset by increased payroll costs due to our continued investment in our project management team in 2013. Cost of revenue associated with our Energy efficiency services segment as a percent of revenue increased by 8% primarily due to the increased payroll costs coupled with the decline in revenue.

Operating expenses

	For the Years Ended December 31,					
	2013		2012			
	\$	% of Revenue	\$	% of Revenue	Increase (Decrease)	
Sales and marketing	\$19,427,779	56%	\$15,482,723	48%	\$ 3,945,056	25%
General and administrative	7,814,933	22	7,927,889	25	(112,956)	(1)
Total operating expenses	\$27,242,712	78%	\$23,410,612	73%	\$ 3,832,100	16%

Sales and marketing expenses increased 25% for the year ended December 31, 2013 as compared to the same period in 2012 primarily due to increases in payroll, internal and third party commissions and amortization of intangible assets. Payroll and internal commissions increased due to the inclusion of a full year of operations of NEP. In addition, mid-market commissions increased due to a change in the commission policy for our mid-market group implemented in the second quarter of 2013. Under the revised policy, we continue to pay commissions based on cash received from mid-market transactions that are deferred for revenue purposes and provide for certain bookings and quota bonuses to offset the impact of the change in our policy. Third-party commissions increased 28% due to increased sales activity being driven by our channel partners. Amortization expense related to intangible assets increased in 2013 due to our 2012 acquisition of NEP. Sales and marketing expense as a percentage of revenue increased by 8% as the increase in costs and the change in our mid-market commission plan were only partially offset by the 9% increase in revenue.

The 1 % decrease in general and administrative expenses for the year ended December 31, 2013 as compared to the same period in 2012 was primarily due to decreases to contingent consideration and consulting fees. These decreases were substantially offset by increases in legal, occupancy and amortization expense associated with the GSE litigation and the inclusion of a full year of operations from our 2012 acquisition of NEP. General and administrative expenses as a percent of revenue decreased 3% primarily due to the 9% increase in revenue and costs remaining relatively flat.

Other income (expense), net

Net interest expense was approximately \$1.1 million for the year ended December 31, 2013 compared to net interest expense of approximately \$0.5 million for the year ended December 31, 2012. The increase in net interest expense in 2013 was primarily due to the addition of \$8.0 million in long-term debt on October 3, 2012 to fund the NEP acquisition. Other income in the first quarter of 2012 primarily consisted of \$53,000 that was recognized from the sale of our investment in Retroficiency.

Income tax expense (benefit)

We recorded income tax benefit of approximately \$0.6 million for the year ended December 31, 2013, reflecting an increase in deferred taxes as the result of our taxable loss during the year, net of the expiration of certain state net operating loss carryforwards. In 2012 we recorded an income tax benefit of approximately \$7.6 million from the release of a valuation allowance as we determined it was more likely than not we would be able to recognize our deferred tax assets in the near term. While we have approximately \$13.4 million of federal net operating loss carryforwards to offset taxable income, we expect to generate future taxable income which is subject to federal AMT and state income taxes.

Net income (loss)

Net loss increased approximately \$7.6 million for the year ended December 31, 2013 compared to the same period in 2012, primarily due to the \$6.9 million decrease in income tax benefit and a \$0.5 million increase in interest expense. The \$3.7 million increase in gross profit was substantially offset by the increase in operating expenses.

Comparison of the Years Ended December 31, 2012 and 2011

Revenue

	For the Years Ended December 31,			
	2012	2011	Increase	
Energy procurement	\$ 24,476,054	\$ 20,473,417	\$ 4,002,637	20%
Energy efficiency services	7,302,783	51,150	7,251,633	nm
Total revenue	\$ 31,778,837	\$ 20,524,567	\$ 11,254,270	55%

Revenue increased 55% for the year ended December 31, 2012 as compared to the same period in 2011 due to a full year of revenue from our recent acquisitions and increased auction activity in our retail product line. Our Energy procurement segment increased 20% due to the additions of the energy procurement contracts of Co-eXprise and GSE in September and October 2011, respectively, our October 3, 2012 acquisition of NEP, and, to a lesser extent, increased transaction activity due to new customers. These increases were offset by slight decreases in wholesale and natural gas transaction activity in 2012 compared to 2011. In addition, 2011 revenue included \$0.7 million from a one-time, upfront payment from one of our energy suppliers related to expected

future energy usage. Our Energy efficiency services segment generated approximately \$7.3 million in revenue for the year 2012 compared to approximately \$50,000 in 2011 due to our October 2011 acquisition of NES and projects completed by our internal energy efficiency services group.

Cost of revenue

	For the Years Ended December 31,					
	2012		2011			
	\$	% of Revenue	\$	% of Revenue	Increase	
Energy procurement	\$ 4,739,344	19%	\$ 3,922,904	19%	\$ 816,440	21%
Energy efficiency services	5,330,013	73	87,091	170	5,242,922	nm
Total cost of revenue	\$10,069,357	32%	\$ 4,009,995	20%	\$ 6,059,362	151%

Cost of revenue increased 151% for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to increases in equipment, material and labor costs associated with projects completed by our Energy efficiency services segment. Cost of revenue for our Energy procurement segment increased 21% due to increases in payroll resulting primarily from our recent acquisitions. Cost of revenue associated with our Energy procurement segment as a percent of revenue remained the same as the 20% increase in revenue offset the increase in costs. The costs of revenue associated with our Energy efficiency services segment was primarily associated with equipment, material and labor costs associated with completed projects during the quarter. Cost of revenue as a percent of our Energy efficiency services revenue was 73% as we continued to build our project management team during the year.

Operating expenses

	For the Years Ended December 31,					
	2012		2011			
	\$	% of Revenue	\$	% of Revenue	Increase	
Sales and marketing	\$15,482,723	48%	\$10,631,035	52%	\$ 4,851,688	46%
General and administrative	7,927,889	25	5,790,264	28	2,137,625	37
Total operating expenses	\$23,410,612	73%	\$16,421,299	80%	\$ 6,989,313	43%

Sales and marketing expenses increased 46% for the year ended December 31, 2012 as compared to the same period in 2011 primarily due to increases in payroll, internal commissions and amortization of intangible assets. Payroll and internal commissions increased due to an increase of twenty sales and marketing employees versus the same period last year primarily due to our acquisitions and hires in our Energy efficiency services segment and mid-market group. Amortization expense related to intangible assets increased due to our 2012 and 2011 acquisitions. Sales and marketing expense as a percentage of revenue decreased 4% due to the 55% increase in revenue, which was partially offset by the increase in costs described above.

The 37% increase in general and administrative expenses for the year ended December 31, 2012 as compared to the same period in 2011 was primarily due to increases in payroll and amortization expense. The increase in amortization expense was due to the increase in intangible assets associated with our recent acquisitions. Payroll increased primarily due to additions in our back office operations to support our growth. In addition, we incurred \$0.5 million of non-recurring charges in 2012 related to our corporate and Ohio office moves, and a channel partner advance. General and administrative expenses as a percent of revenue decreased 3% as the 55% increase in revenue was partially offset by the increase in costs described above.

Other income (expense), net

Interest expense, net was approximately \$547,000 for the year ended December 31, 2012 compared to interest expense, net of approximately \$2,000 for the year ended December 31, 2011. The increase in interest expense, net in 2012 was primarily due to interest charged on our notes payable, contingent consideration and the term loan with SVB. Interest income was earned on a convertible note receivable with Retroficiency in 2011. Other income in 2012 primarily consisted of \$53,000 that was recognized from the sale of our investment in Retroficiency in the first quarter of 2012. There was no other income in 2011.

Income tax expense (benefit)

We recorded income tax expense of approximately \$0.1 million for the years ended December 31, 2012 and 2011, respectively, reflecting an AMT and state and local income tax liability for both years. In 2012 we recorded an income tax benefit of approximately \$7.6 million from the release of a valuation allowance as we determined it was more likely than not we would be able to recognize our deferred tax assets in the near term. While we have approximately \$12.0 million of federal net operating loss carryforwards to offset taxable income, we continue to generate taxable income which is subject to federal AMT and state income taxes.

Net income (loss)

We reported net income for the year ended December 31, 2012 of approximately \$5.3 million and a net loss for the year ended December 31, 2011 of approximately \$46,000. We recorded net income in 2012 due to the \$7.6 million income tax benefit. We generated a loss before income taxes of \$2.2 million in 2012 as the cost increases described above were only partially offset by the 55% increase in revenue in 2012. In addition, net loss for the year ended December 31, 2011 reflected a \$0.5 million increase representing a one-time, upfront payment from one of our suppliers related to future energy usage, net of internal and third party commission expense.

Liquidity and Capital Resources

At December 31, 2013, we had no commitments for material capital expenditures. We have identified and executed against a number of strategic initiatives that we believe are key components of our future growth, including: making strategic acquisitions; entering into other energy-related markets including energy efficiency; expanding our community of listers, bidders and channel partners on our exchanges; strengthening and extending our long-term relationships with government agencies; and growing our direct and inside sales force. As of December 31, 2013 our workforce numbered 126, the same number that we employed at December 31, 2012. At December 31, 2013, we had 59 professionals in our sales and marketing and account management groups, 43 in our supply desk group and 24 in our general and administrative group.

We paid \$10.4 million to acquire three businesses in 2011 through the use of cash on hand, cash flow from ongoing operations as well as cash flow generated by the acquisitions. In addition, we have paid \$ 6.7 million in seller notes and contingent consideration bringing the total cash paid for the 2011 acquisitions to \$17.1 million. In early 2012 we expanded our credit facility with SVB to include a 4-year, \$2.5 million term loan. We borrowed an additional \$10.5 million primarily to acquire NEP in October 2012 which included: increasing our term loan with SVB by \$4.0 million to \$6.5 million, borrowing \$4.0 million in subordinated long-term debt from MCRC, and entering into a \$2.0 million seller note with NEP. On December 30, 2013 we replaced our \$6.5 million SVB term loan with a new \$6.0 million term loan with Commerce Bank and Trust Company ("Commerce"). As of December 31, 2013, we had \$0.5 million of the Commerce term loan classified as short-term and \$5.5 million classified as long-term. While the expansion/addition of these debt instruments significantly increased our commitments, we believe we have the resources to meet both our short- and long-term obligations under these arrangements based on cash on-hand, operating cash flows from our base business and cash expected to be generated from all of our acquired businesses. During 2013, we paid an additional \$1.3 million in cash related to NEP contingent consideration and \$1.5 million against the NEP seller note. As of December 31, 2013 we have substantially retired all of the obligations related to these acquisitions. We have \$1.0 million of accrued contingent consideration recorded within current liabilities related to the GSE acquisition and \$0.5 million remaining on the NEP Seller note that is due April 1, 2014. During 2013 we generated cash flow from operations of \$3.1 million and ended the year with \$1.7 million in cash and cash equivalents.

Comparison of December 31, 2013 to December 31, 2012

	December 31,		Increase (Decrease)	
	2013	2012		
Cash and cash equivalents	\$ 1,725,136	\$ 3,307,822	\$ (1,582,686)	(48%)
Trade accounts receivable, net	7,738,141	7,242,603	495,538	7
Days sales outstanding	76	65	11	17
Working capital (deficit)	(893,984)	(2,464,718)	(1,570,734)	(64)
Stockholders' equity	25,480,584	26,710,127	(1,229,543)	(5)

Cash and cash equivalents decreased 48% primarily due to approximately \$2.7 million of contingent consideration payments, \$1.5 million in principal payments of seller notes and \$6.5 million of principal payments on the SVB term note. These decreases were partially offset by cash flows from operations of approximately \$3.1 million and proceeds from the Commerce term loan of \$6.0 million. Trade accounts receivable increased 7% as compared to the fourth quarter of 2012 due to an 11% increase in unbilled accounts receivable resulting from the increase in energy procurement revenue in the fourth quarter of 2013 compared to the same quarter in 2012 and the increase in days sales outstanding. Days sales outstanding (representing accounts receivable outstanding at December 31, 2013 divided by the average sales per day during the current quarter, as adjusted) increased 17% due to a 34% decrease in Energy efficiency services revenue in the fourth quarter of 2013 compared to the same period in 2012 with only a 10% decrease in Energy efficiency services receivables. Revenue from bidders representing 10% or more of our revenue increased to 12% from one bidder during the year ended December 31, 2013, from 11% from the same bidder and period in 2012.

The working capital deficit at December 31, 2013 (consisting of current assets less current liabilities) improved \$1.6 million from December 31, 2012 primarily due to decreases in accrued contingent consideration and the current portion of related party and long-term debt. The improvements to working capital were substantially offset by decreases in cash and cash equivalents and an increase in deferred revenue and customer advances. Stockholders' equity decreased 5% during the year ended December 31, 2013 due to our net loss for the year, partially offset by stock-based compensation, contingent consideration paid in stock and proceeds from the exercise of stock options.

Cash provided by operating activities for the year ended December 31, 2013 was approximately \$3.1 million compared to cash provided by operating activities for the year ended December 31, 2012 of approximately \$3.8 million. Cash flows from EBITDA remained strong at \$2.3 million compared to \$1.6 million in 2012. This increase was offset by the \$1.6 million improvement in working capital. Cash used in investing and financing activities for the year ended December 31, 2013 was approximately \$4.7 million primarily due to the payments of \$2.7 million of contingent consideration, \$1.5 million of principal payments of seller notes, and \$0.5 million of net principal payments on bank debt. Cash used in investing activities for the year ended December 31, 2012 was approximately \$7.7 million primarily due to the purchase of NEP for \$7.9 million. Cash provided by financing activities in 2012 was \$5.4 million due to the \$10.5 million we borrowed to purchase NEP. This increase in financing was offset by cash outflows to fund contingent consideration payments of \$2.3 million and seller notes of \$3.0 million during 2012.

EBITDA, representing net income or loss before interest, income taxes, depreciation and amortization for the year ended December 31, 2013 was \$2.3 million as compared to \$1.6 million for the same period in the prior year. Please refer to the section below discussing non-GAAP financial measures for a reconciliation of non-GAAP measures to the most directly comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Comparison of December 31, 2012 to December 31, 2011

	December 31,		Increase (Decrease)	
	2012	2011		
Cash and cash equivalents	\$ 3,307,822	\$ 1,837,801	\$ 1,470,021	80%
Trade accounts receivable, net	7,242,603	3,603,634	3,638,969	101
Days sales outstanding	65	61	4	7
Working capital (deficit)	(2,464,718)	(3,996,690)	(1,531,972)	(38)
Stockholders' equity	26,710,127	20,619,101	6,091,026	30

Cash and cash equivalents increased 80% primarily due to \$1.6 million generated in EBITDA during the year ended December 31, 2012, advance payments of \$4.4 million and the receipt of \$0.8 million in cash from the sale of our Retroficiency investment. These increases were partially offset by payment against notes payable of \$3.0 million related to the NES acquisition and a 101% increase in trade accounts receivable. Borrowings from term loans were primarily used to pay for acquisitions and settle contingent consideration payments. Trade accounts receivable increased 101% primarily due to the 91% increase in revenue as compared to the fourth quarter of 2011. Days sales outstanding (representing accounts receivable outstanding at December 31, 2012 divided by the average sales per day during the current quarter, as adjusted) increased 7% due to the timing of in-period revenue recognized within the fourth quarter of 2012 as compared to the fourth quarter of 2011. Revenue from bidders representing 10% or more of our revenue decreased to 20% from two bidders during the year ended December 31, 2012, from 24% from the same two bidders during the same period in 2011.

The working capital deficit at December 31, 2012 (consisting of current assets less current liabilities) improved \$1.5 million from December 31, 2011 primarily due to the 2012 reversal of our tax valuation allowance reserve and the increase in cash and accounts receivable. These increases were offset by an increase in accrued contingent consideration related to the NEP acquisition and an increase in deferred revenue and customer advances. Stockholders' equity increased 30% during the year ended December 31, 2012 due to net income, stock-based compensation and proceeds from the exercise of stock options.

Cash provided by operating activities for the year ended December 31, 2012 and 2011 was approximately \$3.8 million and \$3.6 million, respectively. The 2012 increase was primarily due to advance payments from mid-market transactions, partially offset by the \$2.7 million increase in accounts receivable. Cash used in investing activities for the year ended December 31, 2012 was approximately \$7.7 million primarily due to the purchase of NEP for \$7.9 million. Cash provided by financing activities was \$5.4 million due to the \$10.5 million we borrowed to purchase NEP. This increase in financing was offset by cash outflows to fund earn-out payments of \$2.3 million and seller notes of \$3.0 million during 2012. Cash used in investing and financing activities for the year ended December 31, 2011 was approximately \$5.4 million primarily due to cash used for acquisitions, which was partially offset by net proceeds received from the sale of common stock.

EBITDA, representing net income or loss before interest, income taxes, depreciation and amortization for the year ended December 31, 2012 was \$1.6 million as compared to \$1.7 million for the same period in the prior year. We have generated EBITDA for eight of ten quarters for a cumulative total of \$4.5 million, including \$1.6 million over the last 12 months. Please refer to the section below discussing non-GAAP financial measures for a reconciliation of non-GAAP measures to the most directly comparable measure calculated and presented in accordance with GAAP.

Contractual Obligations and Other Commercial Commitments

The table below summarizes our gross contractual obligations and other commercial commitments as of December 31, 2013. As of December 31, 2013, we did not have any significant purchase obligations other than our operating leases.

Contractual Obligations	2014	2015-2016	2017 - 2018	2019 and thereafter	Total
Principal balance of long-term debt and notes payable	\$ 978,000	\$ 2,582,000	\$ 5,190,000	\$ 1,750,000	\$ 10,500,000
Operating and capital leases	675,000	1,310,000	1,002,000	1,326,000	4,313,000
Fair value of accrued contingent consideration	1,000,000	-	-	-	1,000,000
Total contractual obligations	<u>\$ 2,653,000</u>	<u>\$ 3,892,000</u>	<u>\$ 6,192,000</u>	<u>\$ 3,076,000</u>	<u>\$ 15,813,000</u>

Use of Non-GAAP Financial Measures

In this Annual Report on Form 10-K, we provide certain “non-GAAP financial measures”. A non-GAAP financial measure refers to a numerical financial measure that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable financial measure calculated and presented in accordance with GAAP in our accompanying consolidated financial statements. In this Annual Report on Form 10-K, we provide EBITDA and adjusted EBITDA as additional information relating to our operating results. These non-GAAP measures exclude expenses related to share-based compensation, depreciation related to our fixed assets, amortization expense related to acquisition-related assets and other assets, interest expense on bank borrowings, notes payable to sellers and contingent consideration, interest income on invested funds and notes receivable, and income taxes. Management uses these non-GAAP measures for internal reporting and bank reporting purposes. We have provided these non-GAAP financial measures in addition to GAAP financial results because we believe that these non-GAAP financial measures provide useful information to certain investors and financial analysts in assessing our operating performance due to the following factors:

- We believe that the presentation of a non-GAAP measure that adjusts for the impact of share-based compensation expenses, depreciation of fixed assets, amortization expense related to acquisition-related assets and other assets, interest expense on bank borrowings, seller notes and contingent consideration, interest income on invested funds and notes receivable, and income taxes, provides investors and financial analysts with a consistent basis for comparison across accounting periods and, therefore, is useful to investors and financial analysts in helping them to better understand our operating results and underlying operational trends;
- Although share-based compensation is an important aspect of the compensation of our employees and executives, share-based compensation expense is generally fixed at the time of grant, then amortized over a period of several years after the grant of the share-based instrument, and generally cannot be changed or influenced by management after the grant;
- We do not acquire intangible assets on a predictable cycle. Our intangible assets relate solely to business acquisitions. Amortization costs are fixed at the time of an acquisition, are then amortized over a period of several years after the acquisition and generally cannot be changed or influenced by management after the acquisition;
- We do not regularly incur capitalized software and website costs. Our capitalized software costs relate primarily to the build-out of our exchanges. Amortization costs are fixed at the time the costs are incurred and are then amortized over a period of several years and generally cannot be changed or influenced by management after the initial costs are incurred;
- We do not regularly invest in fixed assets. Our fixed assets relate primarily to computer and office equipment and furniture and fixtures. Depreciation costs are fixed at the time of purchase and are then depreciated over several years and generally cannot be changed or influenced by management after the purchase;
- We do not regularly enter into bank debt, seller notes and/or pay interest on contingent consideration. Our seller notes and contingent consideration relate to acquisition activities. Interest expense is fixed at the time of purchase and recorded over the life of the lease and generally cannot be changed or influenced by management after the purchase;
- We do not regularly earn interest on our cash accounts and notes receivable. Our cash is invested in U.S. Treasury funds and has not yielded material returns to date and these returns generally cannot be changed or influenced by management; and
- We do not regularly pay federal or state income taxes due to our net operating loss carryforwards. Our income tax expense reflects the release of our deferred tax assets to apply to projected annualized taxable income, and an anticipated alternative minimum tax liability based on statutory rates that generally cannot be changed or influenced by management.

Pursuant to the requirements of the SEC, we have provided below a reconciliation of the non-GAAP financial measures used to the most directly comparable financial measures prepared in accordance with GAAP. These non-GAAP financial measures are not prepared in accordance with GAAP. These measures may differ from the GAAP information, even where similarly titled used by

other companies, and therefore should not be used to compare our performance to that of other companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net loss prepared in accordance with GAAP.

	For the Years Ended December 31,		
	2013	2012	2011
GAAP net (loss) income	\$ (2,319,422)	\$ 5,290,692	\$ (46,477)
Add: Interest expense, net	1,081,754	547,075	1,526
Add: Income taxes (benefit)	(623,074)	(7,479,136)	138,224
Add: Amortization of intangibles	3,899,033	3,022,097	1,347,135
Add: Amortization of other assets	36,030	42,289	126,953
Add: Depreciation	221,674	217,235	146,946
Non-GAAP EBITDA	\$ 2,295,995	\$ 1,640,252	\$ 1,714,307
Add: Stock-based compensation	599,554	465,835	609,820
Non-GAAP adjusted EBITDA	\$ 2,895,549	\$ 2,106,087	\$ 2,324,127

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires us 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

The most judgmental estimates affecting our consolidated financial statements are those relating to revenue recognition and the estimate of actual energy delivered from the bidder to the lister of such energy; stock-based compensation; the valuation of intangible assets and goodwill; the valuation of contingent consideration; impairment of long-lived assets; and estimates of future taxable income as it relates to the realization of our net deferred tax assets. We regularly evaluate our estimates and assumptions based upon historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. To the extent actual results differ from those estimates; future results of operations may be affected. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our accompanying consolidated financial statements. Refer to Note 2 of our consolidated financial statements filed herewith for a description of our accounting policies.

Revenue Recognition

Retail Electricity Transactions

We earn a monthly commission on energy sales contracted through our online auction platform from each bidder or energy supplier based on the energy usage transacted between the bidder and lister or energy consumer. Our commissions are not based on the retail price for electricity; rather on the amount of energy consumed. Commissions are calculated based on the energy usage transacted between the energy supplier and energy consumer multiplied by our contractual commission rate. Revenue from commissions is recognized as earned on a monthly basis over the life of each contract as energy is consumed, provided there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the related receivable is reasonably assured, and customer acceptance criteria, if any, has been successfully demonstrated.

We record brokerage commissions based on actual usage data obtained from the energy supplier for that accounting period, or to the extent actual usage data is not available, based on the estimated amount of electricity and gas delivered to the energy consumers for that accounting period. We develop our estimates on a quarterly basis based on the following criteria:

- Payments received prior to the issuance of the consolidated financial statements;
- Usage updates from energy suppliers;
- Usage data from utilities;
- Comparable historical usage data; and
- Historical variances to previous estimates.

To the extent usage data cannot be obtained, we estimate revenue as follows:

- Historical usage data obtained from the energy consumer in conjunction with the execution of the auction;
- Geographic/utility usage patterns based on actual data received;

- Analysis of prior year usage patterns; and
- Specific review of individual energy supplier/location accounts.

In addition, we analyze this estimated data based on overall industry trends including prevailing weather and usage data. Once the actual data is received, we adjust the estimated accounts receivable and revenue to the actual total amount in the period during which the payment is received. Based on management's current capacity to obtain actual energy usage, we currently estimate four to six weeks of revenue at the end of its accounting period. Differences between estimated and actual revenue have been within management's expectations and have not been material to date.

We do not invoice our electricity energy suppliers for monthly commissions earned and, therefore, we report a substantial portion of our receivables as "unbilled." Unbilled accounts receivable represents management's best estimate of energy provided by the energy suppliers to the energy consumers for a specific completed time period at contracted commission rates and is made up of two components. The first component represents energy usage for which we have received actual data from the supplier and/or the utility, but for which payment has not been received at the balance sheet date. The majority of our contractual relationships with energy suppliers require them to supply actual usage data to us on a monthly basis and remit payment to us based on that usage. The second component represents energy usage for which we have not received actual data, but for which we have estimated usage. Commissions paid in advance by certain bidders are recorded as deferred revenue and amortized to commission revenue on a monthly basis on the energy exchanged that month.

Retail Natural Gas Transactions

There are two primary fee components to our retail natural gas services: transaction fees and management fees. Transaction fees are billed to and paid by the energy supplier awarded business on the platform. These fees are established prior to award and are the same for each supplier. For the majority of our natural gas transactions, we bill the supplier upon the conclusion of the transaction based on the estimated energy volume transacted for the entire award term multiplied by the transaction fee. Management fees are paid by our energy consumers and are generally billed on a monthly basis for services rendered based on terms and conditions included in contractual arrangements. While substantially all of our retail natural gas transactions are accounted for in accordance with this policy, a significant percentage is accounted for as the natural gas is consumed by the energy consumer and recognized as revenue in accordance with the retail electricity transaction revenue recognition methodology described above.

Mid-Market Transactions

We earn a monthly commission on energy sales from each energy supplier based on the energy usage transacted between the energy supplier and energy consumer. The commissions are not based on the retail price for electricity but rather on the amount of energy consumed. Commissions are calculated based on the energy usage transacted between the energy supplier and energy consumer multiplied by our contractual commission rate. Revenue from commissions is recognized as earned over the life of each contract as energy is consumed, provided there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the fee is reasonably assured, and customer acceptance criteria, if any, has been successfully demonstrated. We generally recognize revenue on these transactions when we have received verification from the electricity supplier of the end-users power usage and electricity supplier's subsequent collection of the fees billed to the end user. The verification is generally accompanied with payment of the agreed upon fee to us, at which time the revenue is recognized. Commissions paid in advance are recorded as customer advances and are recognized monthly as commission revenue based on the energy exchanged that month. To the extent we do not receive verification of actual energy usage or we cannot reliably estimate what actual energy usage was for a given period, revenue is deferred until usage and collection data is received from the energy supplier. In October 2012, we acquired NEP. NEP recognizes revenue monthly as energy flows from the energy supplier to the end user. We can reliably estimate actual energy usage based on historical usage data compiled by NEP.

Demand Response Transactions

Demand response transaction fees are recognized when we have received confirmation from the DRP that the energy consumer has performed under the applicable RTO or ISO program requirements. The energy consumer is either called to perform during an actual curtailment event or is required to demonstrate its ability to perform in a test event during the performance period. For the PJM, the performance period is June through September in a calendar year. Test results are submitted to the PJM by the DRPs and we receive confirmation of the energy consumer's performance in the fourth quarter. DRPs typically pay us ratably on a quarterly basis throughout the demand response fiscal (June to May) year. As a result, a portion of the revenue we recognize is reflected as unbilled accounts receivable.

Wholesale and Environmental Commodity Transactions

Wholesale transaction fees are invoiced upon the conclusion of the auction based on a fixed fee. These revenues are not tied to future energy usage and are recognized upon the completion of the online auction. For reverse auctions where our customers bid for a consumer's business, the fees are paid by the bidder. For forward auctions where a lister is selling energy products, the fees are

typically paid by the lister. While substantially all wholesale transactions are accounted for in this fashion, a small percentage of our wholesale revenue is accounted for as electricity or gas is delivered, similar to the retail electricity transaction methodology described above.

Environmental commodity transaction fees are accounted for utilizing two primary methods. For regulated allowance programs like RGGI, fees are paid by the lister and are recognized quarterly as revenue as auctions are completed and approved. For most other environmental commodity transactions both the lister and the bidder pay the transaction fee and revenue is recognized upon the consummation of the underlying transaction as credits are delivered by the lister and payment is made by the bidder.

Channel Partner Commissions

We pay commissions to our channel partners at contractual rates based on monthly energy transactions between energy suppliers and energy consumers. The commission is accrued monthly and charged to sales and marketing expense as revenue is recognized. We pay commissions to our salespeople at contractual commission rates based upon cash collections from our customers.

Revenue Estimation

Our estimates in relation to revenue recognition affect revenue and sales and marketing expense as reflected on our statements of operations, and trade accounts receivable and accrued commission accounts as reflected on our accompanying consolidated balance sheets. For any quarterly reporting period, we may not have actual usage data for certain energy suppliers and will need to estimate revenue. We initially record revenue based on the energy consumers' historical usage profile. At the end of each reporting period, we adjust this historical profile to reflect actual usage for the period and estimate usage where actual usage is not available. For the year ended December 31, 2013, we estimated usage for approximately 9% of our revenue resulting in a negative 0.3%, or approximately \$105,000, adjustment to decrease revenue. This decrease in revenue resulted in an approximate \$16,000 decrease in sales and marketing expense related to third party commission expense associated with those revenues. Corresponding adjustments were made to trade accounts receivable and accrued commissions, respectively. A 1% difference between this estimate and actual usage would have an approximate \$32,000 effect on our revenue for the year ended December 31, 2013.

Energy Efficiency Services

Our Energy efficiency services segment is primarily project driven where we identify efficiency measures that energy consumers can implement to reduce their energy usage. We present retrofit opportunities to customers, get approval from them to proceed and submit the proposal to the local utility for pre-approval and determination of available incentives. Once the utility approves funding for the project, we install the equipment, typically new heating, ventilation or air conditioning equipment, or replace lighting fixtures to more efficient models. We recognize revenue for Energy efficiency services when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Due to the short-term nature of projects (typically two to three weeks), we utilize the completed-contract method. We also assess multiple contracts entered into by the same customer in close proximity to determine if the contracts should be combined for revenue recognition purposes. Revenues are recognized based upon factors such as passage of title, installation, payments and customer acceptance.

Allowance for Doubtful Accounts

We provide for an allowance for doubtful accounts on a specifically identified basis, as well as through historical experience applied to an aging of accounts, if necessary. Trade accounts receivable are written off when deemed uncollectible. To date write-offs have not been material.

Intangible Assets

We use assumptions in establishing the initial carrying value, fair value and estimated lives of its intangible assets. The criteria used for these assumptions include management's estimate of the asset's continuing ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, as well as the strategic significance of any identifiable intangible asset in our business objectives. If assets are considered impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Useful lives and related amortization expense are based on an estimate of the period that the assets will generate revenues or otherwise be used by us. Factors that would influence the likelihood of a material change in our reported results include significant changes in the asset's ability to generate positive cash flow, a significant decline in the economic and competitive environment on which the asset depends and significant changes in our strategic business objectives.

Intangible assets consist of customer relationships and contracts, purchased technology and other intangibles, and are stated at cost less accumulated amortization. Intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives, which range from one to ten years.

Impairment of Long-Lived and Intangible Assets

In accordance with ASC 350, we periodically reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable or that the useful lives of those assets are no longer appropriate. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. No impairment of our long-lived assets was recorded as no change in circumstances indicated that the carrying value of the assets was not recoverable during the years ended December 31, 2013 and 2012.

Goodwill & Indefinite-Lived Assets

We use assumptions in establishing the initial carrying value and fair value of our goodwill and indefinite-lived intangibles. Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of acquired businesses. Indefinite-lived intangibles are intangible assets whose useful lives are indefinite in that their lives extend beyond the foreseeable horizon – that is there is no foreseeable limit on the period of time over which it is expected to contribute to the cash flows of the reporting entity. We account for these items in accordance with the Accounting Standards Codification (“ASC”) 350, “*Intangibles – Goodwill and Other*” (“ASC 350”), under which goodwill and intangible assets having indefinite lives are not amortized but instead are assigned to reporting units and tested for impairment annually or more frequently if changes in circumstances or the occurrence of events indicate possible impairment.

We perform our annual impairment test at the end of the fourth fiscal quarter of each year, or earlier, if indicators of potential impairment exist. This impairment test is performed for each of our segments – Energy procurement and Energy efficiency services – which have been determined to be our reporting units. The impairment test for goodwill and indefinite-lived intangibles is a three-step process. Step 0 gives entities the option of first performing a qualitative assessment to test for impairment on a reporting-unit-by-reporting-unit basis. If after performing the qualitative assessment, an entity concludes that it is more-likely-than-not (“MLTN”, typically quantified as a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, then the entity would perform a two-step impairment test. However, if, after applying the qualitative assessment, the entity concludes that it is not MLTN that the fair value is less than the carrying amount, the two step impairment test is not required. Step one consists of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to each reporting unit. If the carrying amount is in excess of the fair value, step two requires the excess of the carrying amount of the reporting unit’s goodwill over the implied fair value of the reporting unit’s goodwill to be recorded as an impairment loss. To determine the fair value of each of the reporting units as a whole, we use a discounted cash flow analysis, which requires significant assumptions and estimates about the future operations of each reporting unit. Significant judgments inherent in this analysis include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in the discounted cash flow analyses are based on financial forecasts developed by management. The discount rate assumptions are based on an assessment of our risk adjusted discount rate, applicable for each reporting unit. In assessing the reasonableness of the determined fair values of the reporting units, we evaluate our results against our current market capitalization.

As of December 31, 2013 and 2012, we performed a step one analysis on both the energy procurement and energy efficiency services reporting units and determined that their indicated fair values substantially exceeded their carrying values. We relied on a weighted average cost of capital of 15.75% and 16.15% for each reporting unit as of December 31, 2013 and 2012, respectively, which takes into consideration certain specific small company premiums. We utilized a long-term growth rate of approximately 8% and 3% for the energy procurement and 15% and 20% efficiency services reporting units as of December 31, 2013 and 2012, respectively, and assumed a combined tax rate of 40% for both units and in both years.

As of December 31, 2013, we performed a step one analysis on our indefinite-life intangibles related to our Energy efficiency services segment customer relationships. Indefinite-life was assigned to our prime contractor relationships with the customer base in the Norwich Public (“Norwich”) and United Illuminated (“UI”) utility regions (“Prime”) and our relationships with the customer base within the Connecticut, Light and Power, UI and Norwich regions as a subcontractor (“Subcontractor”) at the NES acquisition date. The fair value of both the Prime and Subcontractor relationships exceeded their carrying values. We relied on a weighted average cost of capital of 16.6% for the Prime relationship and 15.7% for the subcontractor relationship as of December 31, 2013, which takes into consideration certain specific small company premiums. We utilized a long-term growth rate of approximately 10% for both the Prime and Subcontractor relationships and assumed a combined tax rate of 40% for both. As of December 31, 2012, we performed a qualitative assessment of its indefinite-lived intangibles related to its Energy efficiency services segment customer relationships and determined that it was not likely that the fair value of a reporting unit was less than its carrying value.

Deferred Revenue and Customer Advances

Deferred revenue and customer advances arise when energy suppliers pay us a commission prior to us meeting all the requirements necessary to recognize revenue.

Warranty

Our Energy efficiency services segment provides our customers a one year warranty for all parts and labor in its installation workmanship. We have determined primarily from historical information and management's judgment, that warranty costs are immaterial and no estimate for warranty cost is required at the time revenue is recognized. Should actual warranties differ from our estimates, an estimated warranty liability would be required.

Income Taxes

In accordance with ASC 740, *Income Taxes* ("ASC 740"), deferred tax assets and liabilities are determined at the end of each period based on the future tax consequences that can be attributed to net operating loss carryforwards, as well as differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax basis. Deferred income tax expense or credits are based on changes in the asset or liability from period to period. Valuation allowances are provided if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income. In assessing the requirement of a valuation allowance, we consider past performance, expected future taxable income, and qualitative factors which we consider to be appropriate in estimating future taxable income. Our forecast of expected future taxable income is for future periods that can be reasonably estimated. Results that differ materially from current expectations may cause us to change its judgment on future taxable income and the necessity of a tax valuation allowance.

We have reviewed the tax positions taken, or to be taken, in its tax returns for all tax years currently open to examination by the taxing authority in accordance with ASC 740's recognition and measurement standards. At December 31, 2013, there are no expected material, aggregate tax effects of differences between tax return positions and the benefits recognized in our consolidated financial statements. We account for interest and penalties related to uncertain tax positions as part of its provision for income taxes.

Stock-based Compensation

We recognize the compensation from stock-based awards on a straight-line basis over the requisite service period of the award. Stock-based awards to employees consisted of grants of stock options for the years ended December 31, 2013, 2012 and 2011 and grants of restricted stock for the years ended December 31, 2013 and 2012, respectively. The restrictions on the restricted stock lapse over the vesting period. The vesting period of stock-based awards is determined by the board of directors, and is generally four years for employees.

We account for transactions in which services are received from non-employees in exchange for equity instruments based on the fair value of such services received or of the equity instruments issued, whichever is more reliably measured. There were no equity instruments granted to non-employees for the year ended December 31, 2013. For the years ended December 31, 2012 and 2011 stock-based awards to non-employees consisted of grants of stock warrants. The vesting period of stock warrants granted ranged from one to seven years.

Fair Value Measurements

We follow ASC 820, "*Fair Value Measurements and Disclosures*" ("ASC 820"), for fair value measurements. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The hierarchy established under ASC 820 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 — Pricing inputs are quoted prices available in active markets for identical investments as of the reporting date. As required by ASC 820-10, we do not adjust the quoted price for these investments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level 2 — Pricing inputs are quoted prices for similar investments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to these investments.

Level 3 — Pricing inputs are unobservable for the investment, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes investments that are supported by little or no market activity.

Recent Accounting Pronouncements

In July 2013, Accounting Standards Update ("ASU") 2013-11, "*Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*" was issued, which defines the presentation requirements of an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted and retrospective application is permitted but not required. We do not expect the application of this ASU to have an impact on its consolidated financial statements.

Seasonality

Our revenue is subject to seasonality and fluctuations during the year primarily as a result of weather conditions and its impact on the demand for energy. The majority of our revenue is generated from the commissions we receive under any given energy contract, which is tied to the energy consumer's consumption of energy. Therefore, revenue from natural gas consumption tends to be strongest during the winter months due to the increase in heating usage, and revenue from electricity consumption tends to be strongest during the summer months due to the increase in air conditioning usage. Our revenue is also subject to fluctuations within any given season, depending on the severity of weather conditions — during a particularly cold winter or an unseasonably warm summer, energy consumption will rise. In addition, transaction revenue in the natural gas and wholesale markets for which we invoice upon completion of the respective transaction tends to be higher in the first and fourth quarters when utilities and natural gas customers make their annual natural gas buys.

Cyclicalities

We believe that our business will continue to be cyclical in nature and is tied, in part, to market energy prices which impact transaction volume. When energy prices increase in competitive markets above the price levels of the regulated utilities, energy consumers are less likely to lock-in to higher fixed price contracts in the competitive markets and so they are less likely to use our auction platform. Conversely, when energy prices decrease in competitive markets below the price levels of the regulated utilities, energy consumers are more likely to lock-in to lower fixed price contracts in the competitive markets and they are more likely to use our auction platform. Although our short term revenue is impacted by usage trends, these cyclical effects will also have longer term implications on our business because we derive future revenue from current auctions. Our Energy Efficiency Services segment tends to experience higher revenue in the third and fourth quarters as utilities approve funding for projects to be completed by the end of their calendar year.

Off-Balance Sheet Transactions

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements listed in Item 15(a) are incorporated herein by reference and are filed as a part of this report and follow the signature page to this Annual Report on Form 10-K on page 43.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, the Company's management was required to apply its reasonable judgment.

Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2013.

Internal Control Over Financial Reporting

a) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, the Company's management used the criteria set forth by the COSO in the Internal Control-Integrated Framework.

Based on this assessment, our management concluded that, as of December 31, 2013, our internal control over financial reporting is effective based on those criteria.

Remediation Steps Taken to Address Prior Material Weakness

In March 2013, our management concluded that, as of December 31, 2012, our internal control over financial reporting was not effective based on the COSO criteria and that we had a material weakness. In making this assessment, the Company's management used the criteria set forth by the COSO in Internal Control-Integrated Framework in 1992. A "material weakness" is defined as a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The following is a description of the material weakness in our internal control over financial reporting: In connection with the preparation of our annual report on Form 10-K for the year ended December 31, 2012, we identified a material weakness in the design and operating effectiveness of our internal control over financial reporting related to the recording of revenue recognition for certain commission payments related to our mid-market product line. Specifically, we did not select and apply the appropriate accounting policies for GSE, which we acquired on October 31, 2011. Consequently, effective controls did not exist to ensure that revenue from this product line was appropriately and accurately recorded.

As soon as we learned of the material weakness, we began taking steps intended to remediate this material weakness and to improve our control processes and procedures with respect to revenue recognition in general as part of our efforts to become compliant with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. These activities included:

- implementing a revised accounting policy for our mid-market product-line;
- establishing new policies, procedures and controls to ensure the new policy is administered correctly;
- evaluating the proper organizational structure, including hiring a sufficient complement of personnel with the requisite knowledge and expertise of revenue recognition accounting standards under U.S. GAAP; and
- to the extent necessary, hiring consultants with accounting expertise with specific expertise with revenue recognition.

In particular, our remediation steps were designed to ensure that the recording of revenue recognition for certain commission payments is appropriate. Management believes that the remediation steps implemented during 2013 successfully remediated the specific issues identified as a material weakness in 2012. Specifically, we revised our revenue recognition policy for our mid-market product line, established new policies, procedures and controls to ensure the new policy was administered correctly, and have hired additional personnel and reassigned existing personnel to ensure that the issues identified in the previous year were remediated. We concluded that it was not necessary to hire consultants based on the successful execution of the other aforementioned remediation steps.

b) Attestation Report of the Independent Registered Public Accounting Firm

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm, pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

c) Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting, other than those described above, that occurred during the three months ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required to be disclosed by this item 10 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days of the close of its fiscal year.

We have adopted a code of business conduct and ethics applicable to all of our directors, officers and employees, including our Chief Executive Officer and our Chief Financial Officer. The code of business conduct and ethics is available on the corporate governance section of "Investor Relations" on our website www.worldenergy.com.

Any waiver of the code of business conduct and ethics for directors or executive officers, or any amendment to the code that applies to directors or executive officers, may only be made by the board of directors. We intend to satisfy the disclosure requirement under Item 5.05(c) of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above. To date, no such waivers have been requested or granted.

Item 11. Executive Compensation

The information required to be disclosed by this item 11 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

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

The information required to be disclosed by this item 12 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

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

The information required to be disclosed by this item 13 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

Item 14. Principal Accountant Fees and Services

The information required to be disclosed by this item 14 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

For a list of the financial information included herein, see "Index to Consolidated Financial Statements" on page 44 of this Annual Report on Form 10-K.

(a)(2) Financial Statements Schedules

All schedules are omitted because they are not applicable or the required information is included in the accompanying consolidated financial statements or notes thereto.

(a)(3) Exhibits

The list of exhibits filed as a part of this Annual Report on Form 10-K is set forth on the Exhibit Index immediately preceding the exhibits hereto and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WORLD ENERGY SOLUTIONS, INC.

By: /s/ Philip Adams March 31, 2014
Philip Adams
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Philip Adams</u> Philip Adams	Chief Executive Officer and Director	March 31, 2014
<u>/s/ James Parslow</u> James Parslow	Chief Financial Officer	March 31, 2014
<u>/s/ Edward Libbey</u> Edward Libbey	Chairman of the Board and Director	March 31, 2014
<u>/s/ Peter Londa</u> Peter Londa	Director	March 31, 2014
<u>/s/ Ralph Sheridan</u> Ralph Sheridan	Director	March 31, 2014
<u>/s/ Sean Sweeney</u> Sean Sweeney	Director	March 31, 2014
<u>/s/ John Wellard</u> John Wellard	Director	March 31, 2014
<u>/s/ Thad Wolfe</u> Thad Wolfe	Director	March 31, 2014

WORLD ENERGY SOLUTIONS, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
World Energy Solutions, Inc.
Worcester, Massachusetts

We have audited the accompanying consolidated balance sheets of World Energy Solutions, Inc. (the "Company") as of December 31, 2013 and 2012 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Energy Solutions, Inc. as of December 31, 2013 and 2012 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP

Marcum LLP
Boston, Massachusetts
March 31, 2014

WORLD ENERGY SOLUTIONS, INC.

Consolidated Balance Sheets

	December 31,	
	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,725,136	\$ 3,307,822
Trade accounts receivable, net	7,738,141	7,242,603
Inventory	415,770	154,626
Current portion of deferred tax asset	901,350	1,632,280
Prepaid expenses and other current assets	477,406	361,813
Total current assets	<u>11,257,803</u>	<u>12,699,144</u>
Property and equipment, net	573,778	639,839
Intangible assets, net	15,193,965	19,092,998
Goodwill	16,167,834	16,167,834
Deferred tax asset, net of current portion	7,198,984	5,844,980
Other assets, net	687,098	685,867
Total assets	<u>\$ 51,079,462</u>	<u>\$ 55,130,662</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,697,798	\$ 1,044,459
Accrued commissions	1,567,839	1,052,802
Accrued compensation	2,119,784	2,494,404
Accrued contingent consideration	1,000,000	3,792,505
Accrued expenses and other current liabilities	1,242,274	1,390,188
Deferred revenue and customer advances	3,546,380	1,929,377
Current portion of related party subordinated notes payable	500,000	1,500,000
Current portion of long-term debt, net of unamortized debt discount of \$0 at December 31, 2013 and \$39,873 at December 31, 2012	477,712	1,960,127
Total current liabilities	<u>12,151,787</u>	<u>15,163,862</u>
Long-term debt, net of current portion, net of unamortized debt discount of \$0 at December 31, 2013 and \$89,714 at December 31, 2012	5,522,288	4,410,286
Subordinated note payable	4,000,000	4,000,000
Deferred revenue and customer advances, net of current portion	3,910,035	3,379,635
Accrued contingent consideration, net of current portion	-	966,752
Related party subordinated notes payable, net of current portion	-	500,000
Other liabilities	14,768	-
Total liabilities	<u>25,598,878</u>	<u>28,420,535</u>
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock, \$0.0001 par value; 30,000,000 shares authorized; 12,178,366 shares issued and 12,120,338 shares outstanding at December 31, 2013, and 11,998,313 shares issued and 11,949,376 shares outstanding at December 31, 2012	1,212	1,195
Additional paid-in capital	44,894,961	43,770,108
Accumulated deficit	(19,156,245)	(16,836,823)
Treasury stock, at cost; 58,028 shares at December 31, 2013 and 48,937 shares at December 31, 2012	(259,344)	(224,353)
Total stockholders' equity	<u>25,480,584</u>	<u>26,710,127</u>
Total liabilities and stockholders' equity	<u>\$ 51,079,462</u>	<u>\$ 55,130,662</u>

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

WORLD ENERGY SOLUTIONS, INC.

Consolidated Statements of Operations

	Years Ended December 31,		
	2013	2012	2011
Revenue:			
Brokerage commissions, transaction fees and efficiency projects	\$ 33,927,370	\$ 30,824,446	\$ 19,525,121
Management fees	749,745	954,391	999,446
Total revenue	<u>34,677,115</u>	<u>31,778,837</u>	<u>20,524,567</u>
Cost of revenue	9,316,591	10,069,357	4,009,995
Gross profit	<u>25,360,524</u>	<u>21,709,480</u>	<u>16,514,572</u>
Operating expenses:			
Sales and marketing	19,427,779	15,482,723	10,631,035
General and administrative	7,814,933	7,927,889	5,790,264
Total operating expenses	<u>27,242,712</u>	<u>23,410,612</u>	<u>16,421,299</u>
Operating (loss) income	<u>(1,882,188)</u>	<u>(1,701,132)</u>	<u>93,273</u>
Other (expense) income:			
Other income	21,446	59,763	-
Interest income	6,358	-	51,245
Interest expense	(1,088,112)	(547,075)	(52,771)
Other expense, net	<u>(1,060,308)</u>	<u>(487,312)</u>	<u>(1,526)</u>
(Loss) income before income taxes	<u>(2,942,496)</u>	<u>(2,188,444)</u>	<u>91,747</u>
Income tax benefit (expense)	623,074	7,479,136	(138,224)
Net (loss) income	<u>\$ (2,319,422)</u>	<u>\$ 5,290,692</u>	<u>\$ (46,477)</u>
Net (loss) income per common share — basic and diluted	<u>\$ (0.19)</u>	<u>\$ 0.44</u>	<u>\$ -</u>
Weighted average shares outstanding — basic	<u>11,998,019</u>	<u>11,901,172</u>	<u>10,521,910</u>
Weighted average shares outstanding — diluted	<u>11,998,019</u>	<u>11,958,689</u>	<u>10,521,910</u>

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

WORLD ENERGY SOLUTIONS, INC.

**Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2013, 2012, and 2011**

	Common Stock		Treasury Stock		Additional	Accumulated	Total
	Number of	0.0001	Number	Stated at	Paid-in	Deficit	Stockholders'
	Shares	\$ Par Value	of Shares	Cost	Capital		Equity
Balance, January 1, 2011	9,155,281	\$ 916	45,025	\$ (209,940)	\$ 33,502,074	\$ (22,081,038)	\$ 11,212,012
Stock-based compensation	-	-	-	-	609,820	-	609,820
Issuance of common stock in connection with restricted stock grants less common stock withheld	17,596	1	3,269	(11,663)	(1)	-	(11,663)
Issuance of common stock in connection with private placement, net	1,520,001	152	-	-	5,303,827	-	5,303,979
Issuance of common stock in connection with acquisitions, net	1,083,209	108	-	-	3,462,014	-	3,462,122
Exercise of stock options	76,938	8	-	-	89,300	-	89,308
Net loss	-	-	-	-	-	(46,477)	(46,477)
Balance, December 31, 2011	11,853,025	1,185	48,294	(221,603)	42,967,034	(22,127,515)	20,619,101
Stock-based compensation	-	-	-	-	465,835	-	465,835
Fair value of warrants issued	-	-	-	-	139,555	-	139,555
Issuance of common stock in connection with restricted stock grants less common stock withheld	11,688	1	643	(2,750)	(1)	-	(2,750)
Exercise of stock options	69,813	7	-	-	197,687	-	197,694
Exercise of stock warrants	14,850	2	-	-	(2)	-	-
Net income	-	-	-	-	-	5,290,692	5,290,692
Balance, December 31, 2012	11,949,376	1,195	48,937	(224,353)	43,770,108	(16,836,823)	26,710,127
Stock-based compensation	-	-	-	-	599,554	-	599,554
Issuance of common stock in connection with restricted stock grants less common stock withheld	32,510	3	9,091	(34,991)	(2)	-	(34,990)
Issuance of common stock in connection with contingent consideration paid in acquisition	76,577	8	-	-	325,442	-	325,450
Exercise of stock options	61,875	6	-	-	199,859	-	199,865
Net loss	-	-	-	-	-	(2,319,422)	(2,319,422)
Balance, December 31, 2013	<u>12,120,338</u>	<u>\$ 1,212</u>	<u>58,028</u>	<u>\$ (259,344)</u>	<u>\$ 44,894,961</u>	<u>\$ (19,156,245)</u>	<u>\$ 25,480,584</u>

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

WORLD ENERGY SOLUTIONS, INC.

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net (loss) income	\$ (2,319,422)	\$ 5,290,692	\$ (46,477)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,156,737	3,281,621	1,621,034
Deferred income taxes	(623,074)	(7,564,993)	87,733
Stock-based compensation	599,554	465,835	609,820
Loss on disposal of property and equipment	11,177	-	-
Gain on sale of investment	-	(53,106)	-
Non-cash interest expense on warrants related to debt discount	129,587	9,968	-
Interest on accrued contingent consideration	33,206	100,275	-
Interest on note receivable	-	-	(53,526)
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Trade accounts receivable, net	(495,538)	(2,685,195)	(66,698)
Inventory	(261,144)	133,548	(286,299)
Prepaid expenses and other assets	(115,593)	(588,166)	(154,479)
Accounts payable	653,339	223,370	557,343
Accrued commissions	515,037	71,197	118,427
Accrued compensation	(374,620)	54,719	139,235
Accrued contingent consideration	(781,465)	(50,000)	54,169
Accrued expenses and other current liabilities	(139,405)	707,126	377,629
Deferred revenue and customer advances	2,147,403	4,389,657	689,816
Net cash provided by operating activities	<u>3,135,779</u>	<u>3,786,548</u>	<u>3,647,727</u>
Cash flows from investing activities:			
(Increase) decrease in other assets	(37,261)	-	(43,613)
Cash paid for acquisitions	-	(8,110,959)	(10,404,382)
Proceeds from (cash payment for) sale of investment	-	770,042	(216,666)
Purchases of property and equipment, net of disposals	<u>(145,374)</u>	<u>(403,906)</u>	<u>(17,540)</u>
Net cash used in investing activities	<u>(182,635)</u>	<u>(7,744,823)</u>	<u>(10,682,201)</u>
Cash flows from financing activities:			
Proceeds from exercise of stock options	199,865	197,694	89,308
Proceeds from the sale of common stock, net	-	-	5,303,979
Purchase of treasury stock	(34,990)	(2,750)	(11,663)
Proceeds from issuance of long-term debt	6,000,000	10,500,000	-
Principal payments on long term debt	(6,500,000)	-	-
Principal payments on notes payable	(1,500,000)	(3,000,000)	(53,709)
Payments of contingent consideration	(2,685,548)	(2,250,000)	-
Principal payments on capital lease obligations	<u>(15,157)</u>	<u>(16,648)</u>	<u>(14,928)</u>
Net cash (used in) provided by financing activities	<u>(4,535,830)</u>	<u>5,428,296</u>	<u>5,312,987</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,582,686)</u>	<u>1,470,021</u>	<u>(1,721,487)</u>
Cash and cash equivalents, beginning of year	3,307,822	1,837,801	3,559,288
Cash and cash equivalents, end of year	<u>\$ 1,725,136</u>	<u>\$ 3,307,822</u>	<u>\$ 1,837,801</u>

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

WORLD ENERGY SOLUTIONS, INC.

Notes to Consolidated Financial Statements

NOTE 1 — COMPANY OVERVIEW

World Energy Solutions, Inc. ("World Energy" or the "Company") offers a range of energy management solutions to commercial and industrial businesses, institutions, utilities, and governments to reduce their overall energy costs. The Company comes to market with a holistic approach to energy management helping customers a) contract for a competitive price for energy, b) engage in energy efficiency projects to minimize quantity used and c) pursue available rebate and incentive programs. The Company made its mark on the industry with an innovative approach to procurement via its online auction platforms, the World Energy Exchange[®]. With recent investments and acquisitions, World Energy is building out its energy efficiency practice engaging new customers while also pursuing more cross-selling opportunities for its procurement services.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Company's accompanying consolidated financial statements include its wholly-owned subsidiary World Energy Securities Corp. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

The Company's most judgmental estimates affecting its accompanying consolidated financial statements are those relating to revenue recognition and the estimate of actual energy delivered from the bidder to the lister of such energy; stock-based compensation; the valuation of intangible assets and goodwill; the valuation of contingent consideration; impairment of long-lived assets; warranty liability; and estimates of future taxable income as it relates to the realization of the Company's net deferred tax assets. The Company regularly evaluates its estimates and assumptions based upon historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. To the extent actual results differ from those estimates; future results of operations may be affected.

Revenue Recognition

Retail Electricity Transactions

The Company earns a monthly commission on energy sales contracted through its online auction platform from each bidder or energy supplier based on the energy usage transacted between the bidder and lister or energy consumer. The Company's commissions are not based on the retail price for electricity; rather on the amount of energy consumed. Commissions are calculated based on the energy usage transacted between the energy supplier and energy consumer multiplied by the Company's contractual commission rate. The contractual commission rate is negotiated with the energy consumer on a procurement-by-procurement basis based on energy consumer specific circumstances, including the size of auction, the effort required to organize and run the respective auction and competitive factors, among others. Revenue from commissions is recognized as earned on a monthly basis over the life of each contract as energy is consumed, provided there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the related receivable is reasonably assured, and customer acceptance criteria, if any, has been successfully demonstrated.

The Company records brokerage commissions based on actual usage data obtained from the energy supplier for that accounting period, or to the extent actual usage data is not available, based on the estimated amount of electricity and gas delivered to the energy consumers for that accounting period. The Company develops its estimates on a quarterly basis based on the following criteria:

- Payments received prior to the issuance of the consolidated financial statements;
- Usage updates from energy suppliers;
- Usage data from utilities;
- Comparable historical usage data; and
- Historical variances to previous estimates.

To the extent usage data cannot be obtained, the Company estimates revenue as follows:

- Historical usage data obtained from the energy consumer in conjunction with the execution of the auction;
- Geographic/utility usage patterns based on actual data received;
- Analysis of prior year usage patterns; and
- Specific review of individual energy supplier/location accounts.

In addition, the Company analyzes this estimated data based on overall industry trends including prevailing weather and usage data. Once the actual data is received, the Company adjusts the estimated accounts receivable and revenue to the actual total amount in the period during which the payment is received. Based on management's current capacity to obtain actual energy usage, the Company currently estimates four to six weeks of revenue at the end of its accounting period. Differences between estimated and actual revenue have been within management's expectations and have not been material to date.

The Company does not invoice its electricity energy suppliers for monthly commissions earned and, therefore, it classifies a substantial portion of its receivables as "unbilled." Unbilled accounts receivable represents management's best estimate of energy provided by the energy suppliers to the energy consumers for a specific completed time period at contracted commission rates and is made up of two components. The first component represents energy usage for which the Company has received actual data from the supplier and/or the utility but for which payment has not been received at the balance sheet date. The majority of the Company's contractual relationships with energy suppliers require them to supply actual usage data to the Company on a monthly basis and remit payment to the Company based on that usage. The second component represents energy usage for which the Company has not received actual data, but for which it has estimated usage. Commissions paid in advance by certain energy suppliers are recorded as deferred revenue and amortized to commission revenue on a monthly basis on the energy exchanged that month.

Retail Natural Gas Transactions

There are two primary fee components to the Company's retail natural gas services: transaction fees and management fees. Transaction fees are billed to and paid by the energy supplier awarded business on the platform. These fees are established prior to award and are the same for each supplier. For the majority of the Company's natural gas transactions, the supplier is billed upon the conclusion of the transaction based on the estimated energy volume transacted for the entire award term multiplied by the transaction fee. Management fees are paid by the Company's energy consumers and are generally billed on a monthly basis for services rendered based on terms and conditions included in contractual arrangements. While substantially all of the Company's retail natural gas transactions are accounted for in accordance with this policy, a significant percentage are accounted for as the natural gas is consumed by the customer and recognized as revenue in accordance with the retail electricity transaction revenue recognition methodology described above.

Mid-Market Transactions

The Company earns a monthly commission on energy sales from each energy supplier based on the energy usage transacted between the energy supplier and energy consumer. The commissions are not based on the retail price for electricity but rather on the amount of energy consumed. Commissions are calculated based on the energy usage transacted between the energy supplier and energy consumer multiplied by the Company's contractual commission rate. Revenue from commissions is recognized as earned over the life of each contract as energy is consumed, provided there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the fee is reasonably assured, and customer acceptance criteria, if any, has been successfully demonstrated. The Company generally recognizes revenue on these transactions when it has received verification from the electricity supplier of the end-users power usage and electricity supplier's subsequent collection of the fees billed to the end user. The verification is generally accompanied with payment of the agreed upon fee to the Company, at which time the revenue is recognized. Commissions paid in advance are recorded as customer advances and are recognized monthly as commission revenue based on the energy exchanged that month. To the extent the Company does not receive verification of actual energy usage or it cannot reliably estimate what actual energy usage was for a given period, revenue is deferred until usage and collection data is received from the energy supplier. To the extent that the Company does not receive actual usage data from the energy supplier, it will recognize revenue at the end of the contract flow date. In October 2012, the Company acquired Northeast Energy Partners, LP ("NEP"). NEP recognizes revenue monthly as energy flows from the energy supplier to the end user. The Company can reliably estimate actual energy usage based on historical usage data compiled by NEP.

Demand Response Transactions

Demand response transaction fees are recognized when the Company receives confirmation from the demand response provider ("DRP") that the energy consumer has performed under the applicable Regional Transmission Organization ("RTO") or Independent Service Operator ("ISO") program requirements. The energy consumer is either called to perform during an actual curtailment event or is required to demonstrate its ability to perform in a test event during the performance period. For PJM Interconnection ("PJM"), an RTO that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia, the performance period is June through September in a calendar year. Test results are submitted to PJM by the DRPs and the Company receives confirmation of the energy consumer's performance in the fourth quarter. DRPs typically pay the Company ratably on a quarterly basis throughout the demand response fiscal (June to May) year. As a result, a portion of the revenue the Company recognizes is reflected as unbilled accounts receivable.

Wholesale and Environmental Commodity Transactions

Wholesale transaction fees are invoiced upon the conclusion of the auction based on a fixed fee. These revenues are not tied to future energy usage and are recognized upon the completion of the online auction. For reverse auctions where the Company's customers bid for a consumer's business, the fees are paid by the bidder. For forward auctions where a lister is selling energy products, the fees are typically paid by the lister. While substantially all wholesale transactions are accounted for in this fashion, a small percentage of the Company's wholesale revenue is accounted for as electricity or gas is delivered, similar to the retail electricity transaction methodology described above.

Environmental commodity transaction fees are accounted for utilizing two primary methods. For regulated allowance programs like the Regional Greenhouse Gas Initiative ("RGGI"), fees are paid by the lister and are recognized as revenue quarterly as auctions are completed and approved. For most other environmental commodity transactions both the lister and the bidder pay the transaction fee and revenue is recognized upon the consummation of the underlying transaction as credits are delivered by the lister and payment is made by the bidder.

Channel Partner Commissions

The Company pays commissions to its channel partners at contractual rates based on monthly energy transactions between energy suppliers and energy consumers. The commission is accrued monthly and charged to sales and marketing expense as revenue is recognized. The Company pays commissions to its salespeople at contractual commission rates based upon cash collections from its customers.

Revenue Estimation

The Company's estimates in relation to revenue recognition affect revenue and sales and marketing expense as reflected on its consolidated statements of operations, and trade accounts receivable and accrued commission accounts as reflected on its consolidated balance sheets. For any quarterly reporting period, the Company may not have actual usage data for certain energy suppliers and will need to estimate revenue. Revenue is initially recorded based on the energy consumers' historical usage profile. At the end of each reporting period, the Company adjusts this historical profile to reflect actual usage for the period and estimate usage where actual usage is not available. For the year ended December 31, 2013, the Company estimated usage for approximately 9% of its revenue resulting in a negative 0.3%, or approximately \$105,000, adjustment to decrease revenue. This decrease in revenue resulted in an approximate \$16,000 decrease in sales and marketing expense related to third party commission expense associated with those revenues. Corresponding adjustments were made to trade accounts receivable and accrued commissions, respectively. A 1% difference between this estimate and actual usage would have an approximate \$32,000 effect on the Company's revenue for the year ended December 31, 2013.

Energy Efficiency Services

The Company's Energy efficiency services segment is primarily project driven where the Company identifies efficiency measures that energy consumers can implement to reduce their energy usage. The Company presents retrofit opportunities to customers, get approval from them to proceed and submit the proposal to the local utility for pre-approval and determination of available incentives. Once the utility approves funding for the project, the Company installs the equipment, typically new heating, ventilation or air conditioning equipment, or replace lighting fixtures to more efficient models. The Company recognizes revenues for energy efficiency services when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Due to the short-term nature of projects (typically two to three weeks), the Company utilizes the completed-contract method. The Company also assesses multiple contracts entered into by the same customer in close proximity to determine if the contracts should be combined for revenue recognition purposes. Revenues are recognized based upon factors such as passage of title, installation, payments and customer acceptance.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of 90 days or less to be cash equivalents.

Concentration of Credit Risk and Off-Balance Sheet Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company has no material off-balance sheet risk such as foreign exchange contracts, option contracts, or other foreign hedging arrangements. The Company places its cash with primarily two institutions, which management believes are of high credit quality. As of December 31, 2013, all of the Company's cash is held in interest bearing accounts.

The Company provides credit in the form of invoiced and unbilled accounts receivable to customers in the normal course of business. Collateral is not required for trade accounts receivable, but ongoing credit evaluations of customers are performed. While the majority of the Company's revenue is generated from retail energy transactions where the winning bidder pays a commission to the Company, commission payments for certain auctions can be paid by the lister, customer or a combination of both. Management provides for an allowance for doubtful accounts on a specifically identified basis, as well as through historical experience applied to an aging of accounts, if necessary. Trade accounts receivable are written off when deemed uncollectible. To date write-offs have not been material.

The following represents revenue and trade accounts receivable from bidders exceeding 10% of the total in each category:

Bidder	Revenue for the year ended December 31,			Trade accounts receivable as of	
	2013	2012	2011	December 31,	2012
A	8%	9%	11%	10%	7%
B	12%	11%	13%	12%	11%
C	8%	7%	6%	10%	6%

In addition to its direct relationship with bidders, the Company also has direct contractual relationships with listers for the online procurement of certain of their energy, demand response or environmental needs. These listers are primarily large businesses and government organizations and do not have a direct creditor relationship with the Company. For the years ended December 31, 2013 and 2012, no energy consumer represented more than 10% individually of the Company's aggregate revenue.

Inventory

Inventory is maintained in the Company's Energy efficiency services segment and consists of prepaid expendables and project materials. Prepaid expendables represents consumable components that are used in project installations and are stated at the lower of cost or market, with cost being determined on a first-in, first-out (FIFO) basis. Historical inventory usage and current trends are considered in estimating both excess and obsolete inventory. To date, there have been no material write-downs of inventory and therefore no allowance for excess or obsolete inventory was recorded at December 31, 2013 and 2012. Project materials represent direct costs incurred on projects-in-process as of each reporting period.

Inventory consists of the following:

	December 31,	
	2013	2012
Prepaid expendables	\$ 55,563	\$ 32,419
Project materials	360,207	122,207
Total inventory	<u>\$ 415,770</u>	<u>\$ 154,626</u>

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets or the life of the related lease, whichever is shorter, which range from 3 to 10 years.

Investment / Convertible Note Receivable

In 2010, the Company made a strategic investment in the form of a two-year \$650,000 convertible note with Retroficiency, Inc. ("Retroficiency"). The convertible note accrued interest at 9% per annum with principal and interest due at the end of the term on July 22, 2012. It included optional and automatic conversion rights to convert into Retroficiency shares at \$0.54 per share and was subject to adjustment in certain circumstances. During the fourth quarter of 2011, Retroficiency executed a qualified financing in the form of Series A Preferred Stock at a price in excess of the Company's conversion price and all principal and interest amounts outstanding under the convertible note receivable at the time of the financing were converted into Series A Preferred Stock. In March 2012, the Company sold its investment in Retroficiency at a premium to its carrying value. As a result, a gain of approximately \$53,000 was recorded as other income in the accompanying consolidated statements of operations for the year ended December 31, 2012.

Other Assets

Certain acquired software and significant enhancements to the Company's software are capitalized in accordance with Accounting Standards Codification ("ASC") 350-40, "Internal-Use Software" ("ASC 350-40"). Internally developed software costs capitalized in 2013 amounted to \$58,500. No internally developed software costs were capitalized in 2012 or 2011. The Company amortized internally developed and purchased software over the estimated useful life of the software (generally three years). During 2013, 2012 and 2011, approximately \$2,000, \$18,000 and \$113,000 were amortized to cost of revenues, respectively. Accumulated amortization was approximately \$1,223,000 and \$1,221,000 at December 31, 2013 and 2012, respectively. Pre- and post- software implementation and configuration costs have historically been immaterial and charged to cost of revenue as incurred. In addition, \$400,000 of certain long term prepaid partner payments are included in other assets at December 31, 2013, and \$500,000 was included in the balance at December 31, 2012.

Intangible Assets

The Company uses assumptions in establishing the initial carrying value, fair value and estimated lives of its intangible assets. The criteria used for these assumptions include management's estimate of the asset's continuing ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, as well as the strategic significance of a ny identifiable intangible asset in the Company's business objectives. If assets are considered impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Useful lives and related amortization expense are based on an estimate of the period that the assets will generate revenues or otherwise be used by the Company. Factors that would influence the likelihood of a material change in the Company's reported results include significant changes in the asset's ability to generate positive cash flow, a significant decline in the economic and competitive environment on which the asset depends and significant changes in the Company's strategic business objectives.

Intangible assets consist of customer relationships and contracts, purchased technology and other intangibles, and are stated at cost less accumulated amortization. Intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives, which range from one to ten years.

Impairment of Long-Lived and Intangible Assets

In accordance with ASC 350, "Intangibles – Goodwill and Other" ("ASC 350"), the Company periodically reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable or that the useful lives of those assets are no longer appropriate. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. No impairment of the Company's long-lived assets was recorded as no change in circumstances indicated that the carrying value of the assets was not recoverable during the years ended December 31, 2013 and 2012.

Goodwill & Indefinite-Lived Intangible Assets

The Company uses assumptions in establishing the initial carrying value and fair value of its goodwill and indefinite-lived intangibles. Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of acquired businesses. Indefinite-lived intangibles are intangible assets whose useful lives are indefinite in that their lives extend beyond the foreseeable horizon – that is there is no foreseeable limit on the period of time over which it is expected to contribute to the cash flows of the reporting entity. The Company accounts for these items in accordance with ASC 350, under which goodwill and intangible assets having indefinite lives are not amortized but instead are assigned to reporting units and tested for impairment annually or more frequently if changes in circumstances or the occurrence of events indicate possible impairment.

The Company performs its annual impairment test at the end of the fourth fiscal quarter of each year, or earlier, if indicators of potential impairment exist. This impairment test is performed for each of its segments – Energy procurement and Energy efficiency services – which have been determined to be the Company’s reporting units. The impairment test for goodwill and indefinite-lived intangibles is a three-step process. Step 0 gives entities the option of first performing a qualitative assessment to test for impairment on a reporting-unit-by-reporting-unit basis. If after performing the qualitative assessment, an entity concludes that it is more-likely-than-not (“MLTN”, typically quantified as a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount, then the entity would perform a two-step impairment test. However, if, after applying the qualitative assessment, the entity concludes that it is not MLTN that the fair value is less than the carrying amount, the two step impairment test is not required. Step one consists of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to each reporting unit. If the carrying amount is in excess of the fair value, step two requires the excess of the carrying amount of the reporting unit’s goodwill over the implied fair value of the reporting unit’s goodwill to be recorded as an impairment loss. To determine the fair value of each of the reporting units as a whole, the Company uses a discounted cash flow analysis, which requires significant assumptions and estimates about the future operations of each reporting unit. Significant judgments inherent in this analysis include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in the discounted cash flow analyses are based on financial forecasts developed by management. The discount rate assumptions are based on an assessment of the Company’s risk adjusted discount rate, applicable for each reporting unit. In assessing the reasonableness of the determined fair values of the reporting units, the Company evaluates its results against its current market capitalization.

As of December 31, 2013 and 2012, the Company performed a step one analysis on both the energy procurement and energy efficiency services reporting units and determined that their indicated fair values substantially exceeded their carrying values. The Company relied on a weighted average cost of capital of 15.75% and 16.15% for each reporting unit as of December 31, 2013 and 2012, respectively, which takes into consideration certain specific small company premiums. The Company utilized a long-term growth rate of approximately 8% and 3% for the energy procurement and 15% and 20% efficiency services reporting units as of December 31, 2013 and 2012, respectively, and assumed a combined tax rate of 40% for both units and in both years.

As of December 31, 2013, the Company performed a step one analysis on the Company’s indefinite-life intangibles related to its Energy efficiency services segment customer relationships. Indefinite-life was assigned to the Company’s prime contractor relationships with the customer base in the Norwich Public (“Norwich”) and United Illuminated (“UI”) utility regions (“Prime”) and the Company’s relationships with the customer base within the Connecticut, Light and Power, UI and Norwich regions as a subcontractor (“Subcontractor”) at the NES acquisition date. The fair value of both the Prime and Subcontractor relationships exceeded their carrying values. The Company relied on a weighted average cost of capital of 16.6% for the Prime relationship and 15.7% for the subcontractor relationship as of December 31, 2013, which takes into consideration certain specific small company premiums. The Company utilized a long-term growth rate of approximately 10% for both the Prime and Subcontractor relationships and assumed a combined tax rate of 40% for both. As of December 31, 2012, the Company performed a qualitative assessment of its indefinite-lived intangibles related to its Energy efficiency services segment customer relationships and determined that it was not likely that the fair value of a reporting unit was less than its carrying value.

Deferred Revenue and Customer Advances

Deferred revenue and customer advances arise when energy suppliers pay the Company a commission prior to the Company meeting all the requirements necessary to recognize revenue. Deferred revenue and customer advances expected to be recognized as revenue by year are approximately as follows:

	Amount
2014	\$ 3,546,000
2015	2,235,000
2016	1,143,000
2017	310,000
2018 and thereafter	222,000
Total deferred revenue and customer advances	<u>\$ 7,456,000</u>

The following table provides a rollforward of deferred revenue and customer advances:

	Amount
Balance at January 1, 2013	\$ 5,309,000
Cash received	4,362,000
Revenue recognized	(2,215,000)
Balance at December 31, 2013	<u>\$ 7,456,000</u>

Warranty

The Company's Energy efficiency services segment provides its customers a one year warranty for all parts and labor in its installation workmanship. The Company has determined primarily from historical information and management's judgment, that warranty costs are immaterial and no estimate for warranty cost is required at the time revenue is recognized. Should actual warranties differ from the Company's estimates, an estimated warranty liability would be required.

Income Taxes

In accordance with ASC 740, "*Income Taxes*" ("ASC 740"), deferred tax assets and liabilities are determined at the end of each period based on the future tax consequences that can be attributed to net operating loss carryforwards, as well as differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax basis. Deferred income tax expense or credits are based on changes in the asset or liability from period to period. Valuation allowances are provided if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income. In assessing the requirement of a valuation allowance, the Company considers past performance, expected future taxable income, and qualitative factors which the Company considers to be appropriate in estimating future taxable income. The Company's forecast of expected future taxable income is for future periods that can be reasonably estimated. Results that differ materially from current expectations may cause the Company to change its judgment on future taxable income and the necessity of a tax valuation allowance.

The Company has reviewed the tax positions taken, or to be taken, in its tax returns for all tax years currently open to examination by the taxing authority in accordance with ASC 740's recognition and measurement standards. At December 31, 2013, there are no expected material, aggregate tax effects of differences between tax return positions and the benefits recognized in the Company's consolidated financial statements. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes.

Stock-based Compensation

The Company recognizes the compensation from stock-based awards on a straight-line basis over the requisite service period of the award. Stock-based awards to employees consisted of grants of stock options for the years ended December 31, 2013, 2012 and 2011 and grants of restricted stock for the years ended December 31, 2013 and 2012, respectively. The restrictions on the restricted stock lapse over the vesting period. The vesting period of stock-based awards is determined by the board of directors, and is generally four years for employees.

The Company accounts for transactions in which services are received from non-employees in exchange for equity instruments based on the fair value of such services received or of the equity instruments issued, whichever is more reliably measured. There were no equity instruments granted to non-employees for the year ended December 31, 2013. For the years ended December 31, 2012 and 2011 stock-based awards to non-employees consisted of grants of stock warrants. The vesting period of stock warrants granted ranged from one to seven years.

Leases

Rent under non-cancelable operating leases that include scheduled rent increases are accounted for on a straight-line basis over the lease term. Allowances and other lease incentives provided by the lessor are amortized on a straight-line basis as a reduction of rent expense. The difference between straight-line expense and rent paid is recorded as a deferred rent liability in the consolidated balance sheet.

Advertising Expense

Advertising expense primarily includes promotional expenditures and is expensed as incurred. Advertising expenses incurred were approximately \$229,000, \$205,000 and \$144,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

Comprehensive Income (Loss)

ASC 220, "*Comprehensive Income*" ("ASC 220"), establishes standards for reporting and displaying comprehensive (loss) income and its components in financial statements. Comprehensive (loss) income is defined as the change in stockholders' equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The comprehensive (loss) income for all periods presented consisted only of the reported net (loss) income.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses (including contingent consideration) and debt. The carrying amounts for these financial instruments reported in the consolidated balance sheets approximate their fair values.

Fair Value Measurements

The Company follows ASC 820, "*Fair Value Measurements and Disclosures*" ("ASC 820"), for fair value measurements. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The hierarchy established under ASC 820 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 — Pricing inputs are quoted prices available in active markets for identical investments as of the reporting date. As required by ASC 820-10, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Level 2 — Pricing inputs are quoted prices for similar investments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to these investments.

Level 3 — Pricing inputs are unobservable for the investment, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes investments that are supported by little or no market activity.

Segment Reporting

ASC 280, "*Segment Reporting*" ("ASC 280"), establishes standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the president and chief executive officer. The Company's chief operating decision maker reviews the results of operations based on two industry segments: Energy procurement and Energy efficiency services.

Recent Accounting Pronouncements

In July 2013, Accounting Standards Update ("ASU") 2013-11, "*Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*" ("ASU 2013-11"), was issued which defines the presentation requirements of an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted and retrospective application is permitted but not required. The Company does not expect the application of this ASU to have an impact on its consolidated financial statements.

NOTE 3 — ACQUISITIONS

The Company accounts for acquisitions using the purchase method in accordance with ASC 805, "*Business Combinations*." The results of operations of acquisitions have been included in the accompanying consolidated financial statements as of the dates of the acquisition. There were no acquisitions in 2013. Total cash paid for acquisitions was \$8.1 million and \$10.4 million in 2012 and 2011, respectively. The Company recognized \$0.2 million and \$0.7 million of total acquisition costs in 2012 and 2011, respectively, that were included in general and administrative expense in the accompanying consolidated statements of operations.

NEP

On October 3, 2012, the Company acquired substantially all of the assets and certain obligations of Northeast Energy Partners, LLC ("NEP") pursuant to an Asset Purchase Agreement (the "Asset Purchase Agreement") between the Company, NEP, and its members. NEP is a Connecticut based energy management and procurement company.

The acquisition-date fair value of the consideration transferred totaled approximately \$12.1 million, which consisted of the following:

	<u>Purchase Price</u>
Cash	\$ 7,910,959
Notes payable to seller	2,000,000
Contingent consideration	2,219,000
Total consideration	\$ 12,129,959

The Company funded the initial \$7.9 million cash portion of the purchase price through the issuance of long-term debt. See Note 15 "Credit Arrangements" for details of long-term debt.

The fair value of the Notes payable to seller was recorded at the face amount of the Notes entered into at the date of acquisition due to their short-term maturity and market rate of interest. The Notes payable to seller bears interest at 4%. On October 1, 2013, the Company paid the first installment of \$1,500,000 against the Notes payable to seller. As of December 31, 2013, \$500,000 was outstanding under the Notes payable to seller, which is due on April 1, 2014.

As part of the total consideration, NEP could have earned up to \$3.2 million in contingent consideration if certain performance criteria were met for the twelve months ending September 30, 2013. This potential contingent consideration consisted of \$2.5 million in cash and 153,153 shares of common stock. As of December 31, 2012, the Company valued this contingent payment at \$2.2 million, which was recorded within current liabilities as accrued contingent consideration in the consolidated balance sheet. In measuring the fair value of the contingent consideration, the Company assigned probabilities to the performance criteria, based among other things on the nature of the performance criteria and the Company's due diligence performed at the time of the acquisition. On December 31, 2013 the Company paid \$1.3 million in cash and issued 76,577 shares of common stock valued at \$0.3 million which represented the final contingent consideration payment related to the acquisition. As a result, the Company recognized a \$0.6 million reduction in general and administrative expense for the year ended December 31, 2013, eliminating the accrued contingent consideration related to this acquisition.

The following table summarizes the allocations of purchase price, which was finalized at December 31, 2012:

	<u>Allocations</u>
Unbilled accounts receivable	\$ 837,693
Fixed assets	26,765
Current liabilities	(415,078)
Intangible assets	7,820,000
Goodwill	3,860,579
Net assets acquired	\$ 12,129,959

The purchase price was allocated to the tangible and intangible assets and liabilities assumed based on estimates of their respective fair values at the date of acquisition with the remaining unallocated purchase price recorded as goodwill. Fair value of intangible assets was determined using a combination of the multi-period excess earnings method, the comparative business valuation method and relief from royalty method. The goodwill recognized is attributable primarily to future revenue generation resulting from expected synergies, expanded product lines and new markets and is expected to be deductible for tax purposes over a period of 15 years.

The intangible assets, excluding goodwill, are being amortized on a straight-line basis over their weighted average lives as follows:

	<u>Fair Value</u>	<u>Weighted Average Lives</u>
Customer contracts	\$ 2,500,000	4 years
Non-compete agreements	900,000	5 years
Customer relationships	4,000,000	10 years
Trade names	420,000	4 years
Total intangible assets	\$ 7,820,000	

GSE

On October 31, 2011, the Company acquired substantially all of the assets and certain obligations of GSE Consulting, L.P. ("GSE") for a maximum purchase price of \$13.1 million. GSE is a Texas based energy management and procurement company. The purchase price was \$8.6 million, consisting of \$3.9 million in cash, \$1.5 million in cash to pay off GSE debt, and 1.0 million shares of the Company's Common Stock valued at \$3.2 million. In addition, GSE could earn up to \$4.5 million of contingent consideration in cash based on the achievement of certain annualized new booking and renewal rate targets to be measured over a two-year period through October 2013.

The acquisition-date fair value of the consideration transferred totaled \$12.9 million, which consisted of the following:

	Purchase Price
Cash	\$ 5,400,251
Common stock (1,000,000 shares)	3,210,000
Contingent consideration	4,328,000
Total consideration	\$ 12,938,251

The fair value of the 1,000,000 common shares issued was determined based on the closing market price of the Company's common shares on the acquisition date.

The fair value of the contingent consideration was based on the weighted probability of achievement of certain performance milestones. In measuring the fair value of the contingent consideration, the Company assigned probabilities to the performance criteria, based among other things on the nature of the performance criteria and the Company's due diligence performed at the time of the acquisition. The contingent consideration was tied to the achievement of certain performance criteria for the 3-month period ended December 31, 2011 ("2011 GSE contingent consideration"), the twelve month period ended October 31, 2012 ("2012 GSE contingent consideration") and the twelve month period ended October 31, 2013 ("2013 GSE contingent consideration"). The contingent consideration earns interest at 4% per annum, which is payable at each respective due date.

In January 2012, the Company paid \$2.0 million to GSE representing full attainment of the 2011 GSE contingent consideration. In January 2013, the Company paid an additional \$1.3 million to GSE representing its attainment of the annualized new booking target for the 2012 GSE contingent consideration. The renewal rate target for the 2012 GSE contingent consideration in the amount of \$0.3 million was not attained but has been disputed by GSE. Based on management's estimates, the annualized new bookings target for the 2013 GSE contingent consideration was attained representing \$0.8 million of the \$1.0 million total potential contingent consideration payment for that period. The renewal rate target for the 2013 GSE contingent consideration representing a potential \$0.3 million of the total payment was not attained but has been disputed by GSE. The Company's estimates are currently being reviewed by GSE. In addition, the agreement provided for a working capital adjustment tied to the collection of backlog during the 15-month period from November 1, 2011 through January 31, 2013, as defined in the purchase agreement. Based on management's estimate of the working capital adjustment, no payment has been made to GSE related to the 2013 GSE contingent consideration. GSE has disputed this calculation and the companies are currently in negotiations to determine a mutually acceptable settlement on all disputed items. As a result, the Company has estimated a \$1.0 million accrual related to the 2012 and 2013 GSE contingent consideration which is included within current liabilities in the Company's consolidated balance sheets as of December 31, 2013.

The following table summarizes the estimated fair values of the assets and liabilities assumed at the acquisition date:

	Allocations
Current assets	\$ 8,698
Fixed assets	100,088
Other assets	15,030
Capital leases	(27,858)
Intangible assets	7,080,000
Goodwill	5,762,293
Net assets acquired	\$ 12,938,251

The purchase price was allocated to the tangible and intangible assets and liabilities assumed based on estimates of their respective fair values at the date of acquisition with the remaining unallocated purchase price recorded as goodwill. Fair value of intangible assets was determined using a combination of the multi-period excess earnings method, the comparative business valuation method and the relief from royalty method. The goodwill recognized is attributable primarily to future revenue generation resulting from expected synergies, expanded product lines and new markets and is expected to be deductible for tax purposes over a period of 15 years. Acquisition costs of approximately \$0.4 million were recorded in general and administrative expense in 2011.

Management is responsible for the valuation of net assets acquired and considered a number of factors, including valuations and appraisals, when estimating the fair values and estimated useful lives of acquired assets and liabilities. At December 31, 2011 the allocation of purchase price had been finalized. The intangible assets, excluding goodwill, are being amortized on a straight-line basis over their weighted average lives as follows:

	Fair Value	Weighted Average Lives
Non-compete agreements	\$ 1,280,000	5 years
Customer relationships	\$ 3,480,000	10 years
Customer contracts	1,650,000	3 years
Trade names	670,000	4 years
Total intangible assets	<u>\$ 7,080,000</u>	

NES

On October 13, 2011, the Company acquired substantially all of the assets and certain obligations of Northeast Energy Solutions, LLC ("NES") for a maximum purchase price of \$4.8 million. NES, located in Cromwell, Connecticut, focuses on turn-key electrical and mechanical energy efficiency measures serving commercial, industrial and institutional customers.

The acquisition-date fair value of the consideration transferred totaled \$4.6 million, which consisted of the following:

	Purchase Price
Cash	\$ 1,004,131
Common stock (83,209 shares)	252,122
Notes payable to seller	3,000,000
Contingent consideration	357,813
Total consideration	<u>\$ 4,614,066</u>

The fair value of the 83,209 common shares issued was determined based on the closing market price of the Company's common shares on the acquisition date.

The fair value of the Notes payable to seller was recorded at the face amount of the notes entered into at the date of acquisition due to their short-term maturity and market rate of interest. During 2012 the Company paid \$3,000,000 in Notes payable to seller, including interest paid on each tranche at the respective due dates, and no amounts remained outstanding under the se notes as of December 31, 2013 and December 31, 2012.

In January 2012 the Company paid \$250,000 in NES contingent consideration. In March 2013, the Company paid \$125,000 related to the NES contingent consideration representing the final payment related to the acquisition. There were no amounts outstanding as of December 31, 2013.

The following table summarizes the estimated fair values of the assets and liabilities assumed at the acquisition date:

	Allocations
Current assets	\$ 1,875
Fixed assets	168,530
Capital leases	(53,709)
Intangible assets	2,962,500
Goodwill	1,534,870
Net assets acquired	<u>\$ 4,614,066</u>

The purchase price was allocated to the tangible and intangible assets and liabilities assumed based on estimates of their respective fair values at the date of acquisition with the remaining unallocated purchase price recorded as goodwill. Fair value of intangible assets was determined using a combination of the multi-period excess earnings method, the income approach and the cost replacement approach. The goodwill recognized is attributable primarily due to future revenue generation resulting from expanded product lines and new markets and is expected to be deductible for tax purposes over a period of 15 years. Acquisition costs of approximately \$0.1 million were recorded in general and administrative expense in 2011.

Management is responsible for the valuation of net assets acquired and considered a number of factors, including valuations and appraisals, when estimating the fair values and estimated useful lives of acquired assets and liabilities. At December 31, 2011 the allocation

of purchase price had been finalized. The intangible assets, excluding goodwill, are being amortized on a straight-line basis over their weighted average lives as follows:

	Fair Value	Weighted Average Lives
Customer relationships	\$ 991,600	9 years
Customer relationships - indefinite life	1,736,000	N/A
Non-compete agreements	234,900	5 years
Total intangible assets	<u>\$ 2,962,500</u>	

Co-eXprise

On September 13, 2011, the Company acquired certain contracts and assumed certain liabilities of the Co-eXprise, Inc.'s (now called Directworks Inc. ("Directworks")) energy procurement business for \$4.0 million in cash. Directworks, located in Wexford Pennsylvania, provides cloud-based software solutions purpose-built for manufacturers to improve supplier collaboration, total cost visibility, and the efficiency of sourcing and supplier management activities.

The following table summarizes the estimated fair values of the assets and liabilities assumed at the acquisition date:

	Allocations
Unbilled accounts receivable	\$ 412,609
Current liabilities	(4,000)
Intangible assets	1,760,000
Goodwill	1,831,391
Net assets acquired	<u>\$ 4,000,000</u>

The fair value of accounts receivable acquired on September 13, 2011 was approximately \$413,000. The gross contractual amount of these accounts receivable was approximately \$460,000, of which \$47,000 was not expected to be collected. Actual collections exceeded the fair value of the unbilled accounts receivable at acquisition by \$85,000, which has been recorded as a reduction in general and administrative expense for the year ended December 31, 2012.

The purchase price was allocated to the tangible and intangible assets and liabilities assumed based on estimates of their respective fair values at the date of acquisition with the remaining unallocated purchase price recorded as goodwill. Fair value of intangible assets was determined using a combination of the income approach and cost approach. The goodwill recognized is attributable primarily to expected synergies of Co-eXprise and is expected to be deductible for tax purposes over a period of 15 years. Acquisition costs of approximately \$0.2 million were recorded in general and administrative expense in 2011.

Management is responsible for the valuation of net assets acquired and considered a number of factors, including valuations and appraisals, when estimating the fair values and estimated useful lives of acquired assets and liabilities. At December 31, 2011 the allocation of purchase price had been finalized. The intangible assets, excluding goodwill, are being amortized on a straight-line basis over their weighted average lives as follows:

	Fair Value	Weighted Average Lives
Non-compete agreements	\$ 170,000	5 years
Customer relationships	580,000	7 years
Customer contracts	1,010,000	2.5 years
Total intangible assets	<u>\$ 1,760,000</u>	

Other Acquisitions

In December 2012 the Company acquired two additional businesses, primarily to expand its customer base in the procurement and efficiency markets. The total consideration of these acquisitions was \$0.2 million. In allocating the total purchase consideration for these allocations based on estimated fair values, the Company recorded approximately \$0.1 million of identifiable intangible assets which consisted of customer relationships with a weighted average life of one year.

The NES acquisition operating results have been included within the Company's Energy efficiency services segment since the date of acquisition. The Co-eXprise contracts and GSE and NEP operations were integrated into the Company's Energy procurement segment from the respective dates of acquisition and, therefore, discrete operating results are not maintained or reviewed by the Company's chief operating decision maker for those operations. The following unaudited pro forma information assumes that the acquisition of NEP had been completed as of the beginning of 2012:

	Years Ended December 31,	
	2012	2011
	(Unaudited)	(Unaudited)
Revenues	\$ 35,783,527	\$ 37,838,477
Net income	4,791,197	1,764,866
Net income per share:		
Net income per share – basic	\$ 0.40	\$ 0.15
Net income per share – diluted	\$ 0.40	\$ 0.15
Weighted average shares outstanding – basic	11,901,172	11,416,998
Weighted average shares outstanding – diluted	11,958,689	11,478,718

The pro forma financial information is not necessarily indicative of the results to be expected in the future as a result of the acquisitions of NEP, as the acquisition did not necessarily reflect the purchase of stand-alone or complete operations, and included several non-recurring revenue events.

NOTE 4 — GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by business segment are as follows:

	Energy Procurement	Energy Efficiency Services	Total
Balance at January 1, 2012	\$ 10,772,385	\$ 1,534,870	\$ 12,307,255
Goodwill acquired	3,860,579	-	3,860,579
Balance at December 31, 2012	14,632,964	1,534,870	16,167,834
Goodwill acquired	-	-	-
Balance at December 31, 2013	\$ 14,632,964	\$ 1,534,870	\$ 16,167,834

Acquisition related intangible assets with finite lives related to the Company's Energy procurement segment are summarized as follows at December 31, 2013:

	Estimated Useful Life	Carrying Amount	Accumulated Amortization	Net
Customer contracts	1 - 4 years	\$ 5,276,000	\$ 3,017,000	\$ 2,259,000
Customer relationships	7 - 10 years	12,800,000	4,568,000	8,232,000
Non-compete agreements	5 years	2,350,000	858,000	1,492,000
Trade names	4 years	1,090,000	494,000	596,000
Total		\$ 21,516,000	\$ 8,937,000	\$ 12,579,000

Acquisition related intangible assets with finite lives related to the Company's Energy efficiency segment are summarized as follows at December 31, 2013:

	Estimated Useful Life	Carrying Amount	Accumulated Amortization	Net
Customer relationships	9 years	\$ 992,000	\$ 244,000	\$ 748,000
Non-compete agreements	5 years	235,000	104,000	131,000
Total		\$ 1,227,000	\$ 348,000	\$ 879,000

Acquisition related intangible assets with finite lives related to the Company's Energy procurement segment are summarized as follows at December 31, 2012:

	Estimated Useful Life	Carrying Amount	Accumulated Amortization	Net
Customer contracts	1 - 4 years	\$ 5,276,000	\$ 1,322,000	\$ 3,954,000
Customer relationships	7 - 10 years	12,800,000	3,264,000	9,536,000
Non-compete agreements	5 years	2,350,000	388,000	1,962,000
Trade names	4 years	1,090,000	221,000	869,000
Total		\$ 21,516,000	\$ 5,195,000	\$ 16,321,000

Acquisition related intangible assets with finite lives related to the Company's Energy efficiency segment are summarized as follows at December 31, 2012:

	Estimated Useful Life	Carrying Amount	Accumulated Amortization	Net
Customer relationships	9 years	\$ 992,000	\$ 134,000	\$ 858,000
Non-compete agreements	5 years	235,000	57,000	178,000
Total		<u>\$ 1,227,000</u>	<u>\$ 191,000</u>	<u>\$ 1,036,000</u>

As of December 31, 2013 and 2012, accompanying consolidated balance sheets also included acquisition related intangible assets with indefinite lives in the amount of \$1,736,000 pertaining to customer relationships in its Energy efficiency segment, not reflected in the above tables.

Intangible assets with a finite life are amortized using the straight-line method over their estimated useful lives, which range from one to ten years. Amortization expense was approximately \$3,899,000, \$3,022,000 and \$1,347,000 for the years ended December 31, 2013, 2012 and 2011, respectively. In addition, approximately \$2.4 million of fully amortized intangible assets related to the Company's Energy procurement segment were removed from the 2012 presentation. The approximate future amortization expense of intangible assets is as follows:

2014	\$ 3,369,000
2015	2,801,000
2016	2,416,000
2017	1,273,000
2018 and thereafter	3,599,000
	<u>\$ 13,458,000</u>

NOTE 5 — TRADE ACCOUNTS RECEIVABLE, NET

The Company does not invoice bidders for the commissions earned on retail electricity, certain natural gas and demand response transactions and, therefore, reports a significant portion of its receivables as "unbilled." Unbilled accounts receivable represent management's best estimate of energy provided by the energy suppliers to the energy consumers for a specific completed time period at contracted commission rates.

The Company generally invoices bidders for commissions earned on wholesale and a substantial portion of retail natural gas transactions as well as energy efficiency customers, which are reflected as billed accounts receivable. For natural gas and wholesale transactions, the total commission earned on these transactions is recognized upon completion of the procurement event and are generally due within 30 days of invoice date. For efficiency projects, revenue is recognized and invoiced upon project installation and acceptance, as required, and are generally due within 30 days of invoice date. In addition, the Company invoices the bidder, lister or combination of both for certain auctions performed for environmental commodity product transactions. These transactions are earned and invoiced either upon lister acceptance of the auction results or, in some cases, upon delivery of the credits or cash settlement of the transaction. For the years ended December 31, 2013 and 2012, the Company provided \$150,000 and \$103,857 as an allowance for doubtful accounts, respectively. To date, write-offs have not been material. Trade accounts receivable, net consists of the following:

	December 31,	
	2013	2012
Unbilled accounts receivable	\$ 6,070,227	\$ 5,343,559
Billed accounts receivable	1,993,093	2,074,223
	8,063,320	7,417,782
Allowance for doubtful accounts	(325,179)	(175,179)
Trade accounts receivable, net	<u>\$ 7,738,141</u>	<u>\$ 7,242,603</u>

NOTE 6 — PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	December 31,	
	2013	2012
Leasehold improvements	\$ 126,740	\$ 110,206
Equipment	874,613	774,199
Motor vehicles	95,534	121,616
Furniture and fixtures	681,945	630,057
	1,778,832	1,636,078
Less accumulated depreciation	(1,205,054)	(996,239)
Property and equipment, net	\$ 573,778	\$ 639,839

Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was approximately \$222,000, \$217,000 and \$147,000, respectively.

NOTE 7 — COMMON AND PREFERRED STOCK

Preferred Stock

The Company's Amended and Restated Certificate of Incorporation, as amended, authorizes 5,000,000 shares of \$0.0001 par value undesignated preferred stock for issuance by the Company's board of directors. No preferred shares have been issued as of December 31, 2013 and 2012.

Common Stock

On October 31, 2011, the Company issued 1.0 million shares of common stock of the Company (equal to approximately \$3.2 million) pursuant to an Asset Purchase Agreement between the Company, GSE, Glenwood Energy Partners, Ltd. and Gulf States Energy, Inc.

On October 13, 2011, the Company issued 83,209 shares of common stock of the Company (equal to approximately \$0.3 million) to the Members of NES pursuant to an Asset Purchase Agreement between the Company, NES and the Members of NES.

In April 2010, the Company filed an S-3 registration statement with the Securities and Exchange Commission, or SEC, using a "shelf" registration, or continuous offering, process. Under this shelf registration process, the Company may, from time to time, issue and sell any combination of preferred stock, common stock or warrants, either separately or in units, in one or more offerings with a maximum aggregate offering price of \$20,000,000, including the U.S. dollar equivalent if the public offering of any such securities is denominated in one or more foreign currencies, foreign currency units or composite currencies. On April 11, 2011, the Company issued approximately 1.5 million shares of common stock utilizing this shelf registration to several accredited institutional investors at \$3.60 per share yielding proceeds of approximately \$5.3 million, net of \$0.2 million of expenses.

Treasury Stock

In connection with the vesting of restricted stock granted to employees the Company withheld shares with value equivalent to employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total shares withheld of 9,091 and 643 for the years ended December 31, 2013 and 2012, respectively, were based on the value of the restricted stock on their vesting date as determined by the Company's closing stock price. Total payment for employees' tax obligations was approximately \$35,000 and \$3,000 for the years ended December 31, 2013 and 2012, respectively. These net-share settlements had the effect of share repurchases by the Company as they reduced the number of shares that would have otherwise been issued as a result of the vesting and did not represent an expense to the Company.

Common Stock Warrants

On October 3, 2012, the Company issued warrants to Silicon Valley Bank ("SVB") for the purchase of 45,045 shares of the Company's common stock at a per share price of \$4.44 in connection with a Fourth Loan Modification Agreement (the "Fourth Modification Agreement") with SVB. The warrants have a seven year life.

The following table summarizes the Company's warrant activity:

	Shares	Weighted Average Exercise Price
Warrants outstanding, January 1, 2011	64,500	\$ 3.03
Granted	300,000	\$ 3.00
Exercised	-	\$ -
Canceled/expired	-	\$ -
Warrants outstanding, December 31, 2011	364,500	\$ 3.00
Granted	45,045	\$ 4.44
Exercised	(60,000)	\$ 3.01
Canceled/expired	(300,000)	\$ 3.00
Warrants outstanding, December 31, 2012	49,545	\$ 4.33
Granted	-	\$ -
Exercised	-	\$ -
Canceled/expired	-	\$ -
Warrants outstanding, December 31, 2013	49,545	\$ 4.33

The weighted average remaining contractual life of warrants outstanding is 5.35 years as of December 31, 2013.

NOTE 8 — EMPLOYEE BENEFIT PLANS

Stock Options

The Company has one stock incentive plan: the 2006 Stock Incentive Plan, or the 2006 Plan. The Company formerly had an additional 2003 Stock Incentive Plan, or the 2003 Plan, which is no longer active at December 31, 2013. At the Company's Annual Meeting on May 17, 2012, an amendment to the 2006 Plan was approved to increase the number of shares of common stock covered by the 2006 Plan by 800,000 shares from 873,816 to 1,673,816. As of December 31, 2013, 1,282,437 shares of common stock were reserved under the 2006 Plan representing 745,917 outstanding stock options, 202,000 shares of restricted stock outstanding and 334,520 shares available for grant.

A summary of stock option activity under both plans for the years ended December 31, 2013, 2012 and 2011 are as follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2011	704,906	\$ 3.96
Granted	135,000	\$ 3.15
Canceled	(55,687)	\$ 3.41
Exercised	(76,938)	\$ 1.16
Outstanding at December 31, 2011	707,281	\$ 4.15
Granted	221,600	\$ 4.03
Canceled	(58,324)	\$ 5.06
Exercised	(69,813)	\$ 2.83
Outstanding at December 31, 2012	800,744	\$ 4.17
Granted	150,850	\$ 3.64
Canceled	(143,802)	\$ 6.48
Exercised	(61,875)	\$ 3.23
Outstanding at December 31, 2013	745,917	\$ 3.69

A summary of common stock options outstanding and common stock options exercisable as of December 31, 2013 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Options	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Number of Shares Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
\$2.00 - \$3.11	175,992	3.64 Years	\$ 272,525	135,070	3.48 Years	\$ 218,135
\$3.12 - \$3.30	201,025	3.35 Years	217,769	170,838	3.07 Years	184,572
\$3.31 - \$3.81	234,300	6.10 Years	145,437	45,200	5.71 Years	19,905
\$3.82 - \$13.40	134,600	4.71 Years	11,137	47,646	2.14 Years	833
	<u>745,917</u>	<u>4.53 Years</u>	<u>\$ 646,868</u>	<u>398,754</u>	<u>3.40 Years</u>	<u>\$ 423,445</u>

The aggregate intrinsic value of options exercised during the year ended December 31, 2013 was approximately \$50,000. At December 31, 2013, the weighted average exercise price of common stock options outstanding and exercisable was \$3.69 and \$3.72, respectively.

Restricted Stock

A summary of restricted stock activity for the years ended December 31, 2013, 2012 and 2011 are as follows:

	Shares	Weighted Average Grant Price
Outstanding at January 1, 2011	13,828	\$ 10.10
Granted	11,143	\$ 3.14
Canceled	(2,250)	\$ 10.76
Vested	<u>(20,865)</u>	<u>\$ 6.56</u>
Outstanding at December 31, 2011	1,856	\$ 7.28
Granted	130,498	\$ 3.39
Canceled	-	\$ -
Vested	<u>(12,331)</u>	<u>\$ 4.55</u>
Outstanding at December 31, 2012	120,023	\$ 3.33
Granted	123,578	\$ 3.80
Canceled	-	\$ -
Vested	<u>(41,601)</u>	<u>\$ 3.56</u>
Outstanding at December 31, 2013	<u>202,000</u>	<u>\$ 3.57</u>

401(k) Plan

The Company's 401(k) savings plan covers the majority of the Company's eligible employees. Employees of the Company may participate in the 401(k) Plan after reaching the age of 21. The Company may make discretionary matching contributions as determined from time to time. Employee contributions vest immediately, while Company matching contributions begin to vest after one year of service and continue to vest at 20% per year over the next five years. To date, the Company has not made any discretionary contributions to the 401(k) Plan.

NOTE 9 — EARNINGS (LOSS) PER SHARE

As of December 31, 2013, 2012 and 2011, the Company only had one issued and outstanding class of stock — common stock. As a result, the basic earnings or loss per share for the years ended December 31, 2013, 2012 and 2011 is computed by dividing net (loss) income by the weighted average number of common shares outstanding for the period.

The following table provides a reconciliation of the denominators of the Company's reported basic and diluted earnings per share computation for the years ended December 31, 2013, 2012 and 2011, respectively:

	Years Ended December 31,		
	2013	2012	2011
Weighted number of common shares - basic	11,998,019	11,901,172	10,521,910
Common stock options	-	21,348	-
Common stock warrants	-	22,653	-
Unvested restricted stock	-	13,516	-
Total common stock equivalents	11,998,019	11,958,689	10,521,910

The computed loss per share does not assume conversion, exercise, or contingent exercise of securities that would have an anti-dilutive effect on loss per share. As the Company was in a net loss position for the years ended December 31, 2013 and 2011, all common stock equivalents in those years were anti-dilutive.

For the year ended December 31, 2013, 745,917, 49,545 and 202,000 shares issuable relative to common stock options, common stock warrants and restricted stock, respectively, were excluded from net loss per share since the inclusion of such shares would be anti-dilutive. For the year ended December 31, 2012, 713,301 and 45,045 shares issuable relative to common stock options and common stock warrants, respectively, were excluded from net loss per share since the inclusion of such shares would be anti-dilutive. For the year ended December 31, 2011, 707,281, 364,500 and 1,856 shares issuable relative to common stock options, common stock warrants and restricted stock, respectively, were excluded from net loss per share since the inclusion of such shares would be anti-dilutive. The Company did not declare or pay any dividends in 2013, 2012 and 2011.

NOTE 10 — STOCK-BASED COMPENSATION

For the year ended December 31, 2013, share based awards consisted of grants of stock options and restricted stock, for the year ended December 31, 2012, share based awards consisted of grants of stock options, restricted stock and stock warrants and for the year ended December 31, 2011 share based awards consisted of grants of stock options and stock warrants. The Company recognizes the compensation from stock-based awards on a straight-line basis over the requisite service period of the award. The vesting period of stock-based awards is determined by the board of directors, and is generally four years for employees. The restrictions on the restricted stock lapse over the vesting period, which is typically four years. The per-share weighted-average fair value of stock options granted during the years ended December 31, 2013, 2012 and 2011 was \$2.37, \$2.80 and \$2.20, respectively, on the date of grant, using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Year Ended December 31,	Expected Dividend Yield	Risk-Free Interest Rate	Expected Life	Expected Volatility
2013	0%	1.21%	4.75 years	84%
2012	0%	0.71%	4.75 years	94%
2011	0%	0.89%	4.75 years	99%

The per-share weighted-average fair value of stock warrants granted during the years ended December 31, 2012 and 2011 was \$3.10 and \$0.72, respectively, on the date of grant, using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Year Ended December 31,	Expected Dividend Yield	Risk-Free Interest Rate	Expected Life	Expected Volatility
2012	0%	0.61%	7.00 years	94%
2011	0%	0.12%	0.63 years	60%

The Company elected to use the Black-Scholes option pricing model to determine the weighted average fair value of options and warrants granted. The Company determined the volatility for stock options based on the reported closing prices of the Company's stock. The expected life of stock options has been determined utilizing the "simplified" method as prescribed by the SEC's Staff Accounting Bulletin No. 107, "Stock-based Payment". The expected life of stock warrants is based on the contract term of the warrants. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options and stock warrants. The Company has not paid and does not anticipate paying cash dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. In addition, ASC 718, "Compensation - Stock Compensation" ("ASC 718"), requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. As a result, the Company applied estimated forfeiture rates to unvested stock-based compensation of 10% for stock options and restricted stock for the years ended December 31, 2013, 2012 and 2011, respectively, in determining the expense recorded in the accompanying consolidated

statements of operations. The Company did not apply an estimated forfeiture rate to unvested stock-based compensation for stock warrants for the years ended December 31, 2013, 2012 and 2011, in determining the expense recorded in the accompanying consolidated statements of operations.

The approximate total stock-based compensation expense for the periods presented is included in the following expense categories:

	Years Ended December 31,		
	2013	2012	2011
Cost of revenue	\$ 89,000	\$ 79,000	\$ 69,000
Sales and marketing	249,000	207,000	356,000
General and administrative	262,000	180,000	185,000
Total stock-based compensation	<u>\$ 600,000</u>	<u>\$ 466,000</u>	<u>\$ 610,000</u>

As of December 31, 2013, there was approximately \$1,380,000 of unrecognized compensation expense related to stock-based awards, including approximately \$810,000 related to non-vested stock option awards that is expected to be recognized over a weighted-average period of 2.42 years and approximately \$570,000 related to non-vested restricted stock awards that is expected to be recognized over a weighted average period of 2.58 years. See Note 8 to the accompanying consolidated financial statements for a summary of activity under the Company's stock-based employee compensation plans for the years ended December 31, 2013, 2012 and 2011.

The Company accounts for transactions in which services are received from non-employees in exchange for equity instruments based on the fair value of such services received or of the equity instruments issued, whichever is more reliably measured. During 2012, the Company issued warrants to SVB for the purchase of 45,045 shares of the Company's common stock in conjunction with a Fourth Loan Modification Agreement (the "Fourth Modification Agreement"). As a result of the warrants issued to SVB, the Company recognized a debt discount of approximately \$140,000, of which approximately \$130,000 was unamortized and recorded against long term debt on the Company's December 31, 2012 consolidated balance sheet, and approximately \$10,000 was recorded as interest expense in the consolidated statement of operations for the year ended December 31, 2012. As a result of the extinguishment of the SVB loan during 2013, the Company expensed the remaining unamortized debt discount to interest expense in the amount of approximately \$130,000 (See Note 15). During 2011, stock warrants were granted for 300,000 shares of common stock to consultants in consideration for services performed, for which the Company recognized a charge of approximately \$19,000 and \$197,000 to sales and marketing expense in the consolidated statement of operations for the years ended December 31, 2012 and 2011, respectively. During 2010, stock warrants were granted for 64,500 shares of common stock to consultants in consideration for services performed, for which the Company recognized a charge of approximately \$4,000 to general and administrative expense in the consolidated statement of operations for the year ended December 31, 2011.

NOTE 11 — RELATED PARTIES

In 2012, the Company entered into an agreement to lease a facility in Enfield CT, used to support its operations related to its acquisition of NEP. The facility is owned by a real estate holding company owned equally by the former owners of NEP. The managing member of the holding company is an employee of the Company. Rent paid by the Company to this real estate holding company amounted to approximately \$120,000 and \$29,000 in 2013 and 2012, respectively.

Pursuant to the Company's 2012 acquisition of assets and certain liabilities of NEP, the Company issued Notes payable to seller and contingent consideration as part of the purchase price. Subsequent to the acquisition, one of the owners of NEP became an employee of the Company, while retaining an indirect interest in purchase consideration due to NEP. The first installment of Notes payable to NEP in the amount of \$1,500,000 was paid in October 2013, with the remaining amount of \$500,000 due in April 2014 and reflected in the Company's December 31, 2013 consolidated balance sheet as a current liability. Additionally, approximately \$66,000 and \$20,000 of interest expense related to the notes payable was reflected in the Company's consolidated statements of operations for the years ended December 31, 2013 and 2012, respectively. Contingent consideration, valued at approximately \$1,575,000 and consisting of a cash payment of \$1,250,000 and an issuance of 76,577 shares of the Company's common stock related to this acquisition, was paid in December 2013. There were no further payments due related to contingent consideration for the NEP acquisition.

Pursuant to the Company's 2011 acquisition of assets and certain liabilities of NES, the Company issued notes payable to the sellers and contingent consideration as part of the purchase price. Subsequent to the acquisition the three Members of NES became employees of the Company, while retaining an interest in purchase consideration due NES. Accrued contingent consideration of \$120,312 related to the NES acquisition was reflected as a liability in the Company's December 31, 2012 consolidated balance sheet. Additionally, approximately \$113,000 and \$32,000 of interest expense related to the notes was reflected in the Company's accompanying consolidated statements of operations for the year ended December 31, 2012 and 2011, respectively. The Company's obligations related to the notes and contingent consideration for the NES acquisition had been completed as of December 31, 2013.

NOTE 12 — INCOME TAXES

Provisions for the Company's income taxes for the three years ended December 31 were as follows:

	2013	2012	2011
Current:			
Federal	\$ -	\$ 62,393	\$ 35,868
State	-	23,464	14,623
	-	85,857	50,491
Deferred:			
Federal	(960,674)	(6,569,461)	73,937
State	337,600	(995,532)	13,796
	(623,074)	(7,564,993)	87,733
	<u>\$ (623,074)</u>	<u>\$ (7,479,136)</u>	<u>\$ 138,224</u>

The components of the Company's net deferred tax asset are as follows:

	December 31,	
	2013	2012
Depreciation and amortization	\$ 2,210,308	\$ 1,417,642
Goodwill and indefinite lived intangible assets	(830,251)	(422,892)
Acquisition costs	302,538	303,605
Accruals and reserves	1,692,143	1,882,888
Alternative minimum tax credits	106,910	106,910
Other tax credits	-	(87,733)
Net operating loss carryforwards	4,618,686	4,276,840
	8,100,334	7,477,260
Valuation allowance	-	-
Deferred tax asset	<u>\$ 8,100,334</u>	<u>\$ 7,477,260</u>

In the Company's December 31, 2013 consolidated balance sheet, approximately \$0.9 million of the Company's deferred tax asset was included with current assets and approximately \$7.2 million of the Company's deferred tax asset was included with non-current assets.

Pursuant to ASC 740, management has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, which are comprised principally of net operating loss carryforwards and other temporary differences. During the years ended December 31, 2013 and 2012, management concluded that it was more likely than not that the Company will recognize all of its deferred tax assets. During 2012, the Company released its valuation allowance which resulted in the recognition of a cumulative tax benefit of approximately \$7.5 million. The Company continually evaluates additional facts representing both positive and negative evidence in the determination of the realizability of the deferred tax assets, including scheduling of deferred tax liabilities and projected taxable income. The underlying assumptions used in forecasting future taxable income requires significant judgment and take into account all available evidence, including past operating results and recent performance. The positive evidence considered was the most recent three years of cumulative taxable income, projected future taxable income, the length of carryforward periods of net operating losses and tax credits and current operating results. In addition, the Company has utilized \$5.7 million of federal net operating loss carryforwards over the last four years. The primary negative evidence considered was the Company's previous history of cumulative pre-tax losses, its limited experience in the Energy efficiency business and its current year pre-tax loss. Management has considered the weight of all available evidence in determining whether a valuation allowance was required and concluded the weight of the positive evidence was greater than the negative evidence making it more likely than not that the Company will recognize its deferred tax assets.

A reconciliation of the Company's federal statutory tax rate to its effective rate is as follows:

	Years Ended December 31,		
	2013	2012	2011
Income tax at federal statutory rate	(34.0%)	(34.0%)	34.0%
Increase (decrease) in tax resulting from:			
State taxes, net of federal benefit	(4.0)	(4.0)	4.0
Stock-based compensation	5.3	6.2	151.5
Tax impact of indefinite lived intangible assets not amortized for book purposes	0.0	0.0	95.6
Expiration of net operating loss carryforwards	12.4	0.0	0.0
Utilization of valuation allowance	0.0	28.5	0.0
Change in valuation allowance	0.0	(345.7)	(260.1)
Alternative minimum tax requirement	0.0	3.9	55.0
Other permanent items	(0.9)	3.3	70.7
	<u>(21.2%)</u>	<u>(341.8%)</u>	<u>150.7%</u>

As of December 31, 2013, the Company has federal net operating loss carryforwards of approximately \$13.4 million which begin to expire in 2027, and state net operating loss carryforwards of approximately \$1.8 million, which begin to expire in 2014. During 2013, approximately \$0.4 million of state net operating loss carryforwards expired.

The Company files income tax returns in the U.S. federal jurisdiction and in various states. The Company has reviewed the tax positions taken, or to be taken, in its tax returns for all tax years currently open to examination by the taxing authorities. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examination by tax authorities for years before 2010. At December 31, 2013, there are no expected material, aggregate tax effects of differences between tax return positions and the benefits recognized in the consolidated financial statements.

Under the provisions of the Internal Revenue Code, certain substantial changes in the Company's ownership may have limited or may limit in the future the amount of net operating loss carryforwards which could be utilized annually to offset future taxable income and income tax liabilities. The amount of any annual limitation is determined based upon the Company's value prior to an ownership change. The Company performed an internal analysis with the guidance of its third party tax adviser and determined that ownership changes that have occurred primarily in connection with stock offerings or in connection with acquisitions when the Company issued stock to the sellers have not limited the Company's ability to fully utilize its net operating loss carryforwards.

NOTE 13 — FAIR VALUE MEASUREMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities of the Company measured at fair values on a recurring basis as of December 31, 2013 and 2012 are summarized as follows:

	December 31, 2013	Level 1	Level 2	Level 3
Liabilities				
Contingent consideration	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Total Liabilities	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>
	December 31, 2012	Level 1	Level 2	Level 3
Liabilities				
Contingent consideration	\$ 4,759,257	\$ -	\$ -	\$ 4,759,257
Debt discount	(129,587)	-	(129,587)	-
Total Liabilities	<u>\$ 4,629,670</u>	<u>\$ -</u>	<u>\$ (129,587)</u>	<u>\$ 4,759,257</u>

The Company determines the fair value of acquisition-related contingent consideration based on assessment of the probability that the Company would be required to make such future payment. Management assigns probabilities to each level of attainment and weights those probabilities to determine the amount to accrue at each reporting period. As the contingent consideration was based on financial or operational performance, management monitors performance against target and estimates future performance based on current forecasts. At December 31, 2013, all performance periods had concluded and calculations were based on actual performance. The final payment related to the NEP contingent consideration was made on December 31, 2013. Total adjustments made were to decrease fair value by \$0.7 million. At December 31, 2013, the remaining contingent consideration balance represents management's estimate of the amount that is expected to be paid to GSE in settlement of all contingent consideration amounts outstanding. The net result was a \$0.1 million reduction in accrued contingent consideration. Changes to the fair value of contingent consideration are recorded in general and administrative expense. The following table provides a rollforward of the fair value, as determined by level 3 inputs, of the contingent consideration.

	Years Ended December 31,	
	2013	2012
Beginning balance	\$ 4,759,257	\$ 4,739,982
Additions	-	2,219,000
Payments	(3,010,998)	(2,250,000)
Change in fair value included in earnings	(788,259)	(50,000)
Accrued interest	40,000	100,275
Ending balance	<u>\$ 1,000,000</u>	<u>\$ 4,759,257</u>

The year-end carrying amounts and fair values of the Company's debt obligations are as follows:

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, net of debt discount	\$ 6,000,000	\$ 6,000,000	\$ 6,370,413	\$ 6,370,413
Debt discount	-	-	129,587	129,587
Subordinated notes payable	4,000,000	4,000,000	4,000,000	4,000,000
Related party subordinated notes payable	500,000	500,000	2,000,000	2,000,000
Total debt obligations	<u>\$ 10,500,000</u>	<u>\$ 10,500,000</u>	<u>\$ 12,500,000</u>	<u>\$ 12,500,000</u>

The carrying amount for fixed rate long-term debt and variable rate long-term debt approximate fair value because the underlying instruments are primarily at current market rates available to the Company for similar borrowings. The interest rate on the Commerce Bank and Trust Company ("Commerce") debt is tied to the prime rate and will fluctuate with changes in that rate. Related party notes payable are classified as short-term on the Company's accompanying consolidated balance sheets.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

Leases

On June 25, 2012, the Company relocated its corporate headquarters to 100 Front Street, Worcester, MA. In connection with this move, the Company entered into a ten-year lease for 12,000 square feet of office space at a rate comparable to rates paid under its former corporate office lease. The average annual rental commitment under this lease is approximately \$320,000.

The Company maintains operating leases for office space in nine locations in the U.S., paid in installments due the beginning of each month and that expire through May 2022. Future aggregate minimum payments under office space operating leases as of December 31, 2013 were as follows:

	Amount
2014	\$ 670,028
2015	664,540
2016	634,160
2017	605,514
2018 and thereafter	1,715,592
Total future minimum lease payments	<u>\$ 4,289,834</u>

The accompanying consolidated statements of operations for the years ended December 31, 2013, 2012, and 2011 includes approximately \$ 896,000, \$742,000 and \$443,000 of office rent expense, respectively. Rent expense associated with office leases is recognized on a straight-line basis, inclusive of scheduled rent increases and allowances, over the term of the lease agreements which resulted in a deferred rent liability of \$217,000 and \$150,000 as of December 31, 2013 and 2012, respectively. In addition, the Company maintained leases for office equipment for which approximately \$16,000 was charged to the accompanying consolidated statement of operations for the year ended December 31, 2013, and approximately \$32,000 of future minimum lease payments will be incurred through 2018.

Future aggregate minimum payments under this operating lease are as follows:

	Amount
2014	\$ 120,150
2015	120,150
2016	120,150
2017	90,113
Total future minimum lease payments	<u>\$ 450,563</u>

Litigation

Three former employees/consultants of GSE Consulting, LP ("GSE") have filed three separate complaints in Texas County Court alleging, among other things, claims related to breach of contract, quantum meruit, promissory estoppel, and tortious interference. Each plaintiff claims that GSE and/or the Company failed to pay commissions due for services that they provided prior to the date of the Company's purchase of certain GSE assets, based on their respective employment or independent contractor agreements with GSE. Each plaintiff has also asserted claims for recovery of their attorneys' fees. The Company denies the allegations and has filed counterclaims for damages, asserting claims for conversion, unjust enrichment, misappropriation of confidential information, and violation of the Texas Theft Liability Act against each of the plaintiffs. The Company has also filed a counterclaim against one of the plaintiffs for her breach of a non-competition and non-solicitation agreement, based on her working for a competitor of the Company's during her 1-year restrictive period and her improper solicitation of former GSE customers on behalf of the competitor. The Company also filed cross claims against GSE for indemnification under the Asset Purchase Agreement in each of the three cases. In two of these cases, the Plaintiffs have asserted claims against GSE affiliates and their individual principals. The GSE affiliates and principals have also asserted cross claims against the Company seeking indemnification under the Asset Purchase Agreement. In December 2013, GSE amended its cross claims in one of the matters to include claims asserting breaches of the earnout provisions in the Asset Purchase Agreement. Also, in December 2013, the Company entered into mediation discussions with one of the plaintiffs. As a result, the Company agreed to pay the plaintiff a settlement that is subject to a confidentiality clause. The settlement amount was not material to the Company's consolidated operating results or financial position and was accrued as of December 31, 2013. In return, the plaintiff agreed to drop all claims against the Company including all claims related to commissions due for past service. The settlement agreement was signed and filed with the court in January 2014. The Court assigned a trial date of May 5, 2014 for the cross claims remaining in the matter. Discovery has concluded in the remaining two matters and the court has assigned a trial date of September 29, 2014 for one of the cases. The remaining case is awaiting assignment of a trial date. The Company is awaiting a decision on its motion for summary judgment seeking dismissal of all claims against one of the two remaining plaintiffs, and is in the process of filing a motion for summary judgment against the other plaintiff.

The Company has estimated the potential commissions allegedly due to the two remaining plaintiffs to be approximately \$0.3 million. The Company has not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on its belief that any potential loss, while reasonably possible, is not probable. The Company intends to defend these actions vigorously and is currently unable to estimate a range of payments, if any, it may be required to pay, with respect to these claims. Further, the Company believes that the resolution of these matters will not result in a material effect to its consolidated financial statements. However, due to uncertainties that accompany litigation of this nature, there could be no assurance that the Company will be successful, and the resolution of the lawsuits could have a material effect on its accompanying consolidated financial statements.

From time to time, the Company may be subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to employment matters. While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits, management believe that the aggregate amount of such liabilities, if any, will not have a material adverse effect on the consolidated financial position and/or results of operations. It is possible, however, that future financial position or results of operations for any particular period could be materially affected by changes in the Company's assumptions or strategies related to those contingencies or changes out of its control.

NOTE 15 — CREDIT ARRANGEMENTS

Credit Facility

On December 30, 2013, the Company entered into a Loan and Security Agreement (the "Agreement") with Commerce that replaced the Company's former \$9.0 million credit facility with SVB. Under the Agreement, Commerce has committed to a three year revolving credit facility of up to \$2.5 million (the "Revolver") and a 60-month term loan of \$6.0 million (the "Term Loan"). The former SVB credit facility was a \$9.0 million credit facility consisting of a \$6.5 million term note and a \$2.5 million line-of-credit. The Company utilized the proceeds from the Term Loan to retire the former SVB facility in the amount of \$4.5 million, including interest and fees, with the remainder to be utilized for working capital purposes. The SVB facility was paid off in full as of December 31, 2013. As a result of the extinguishment of the SVB credit facility, the Company recorded a loss on extinguishment in the amount of \$128,000 primarily related to the unamortized debt discount that is included as part of interest expense in the accompanying consolidated statement of operations for the year end December 31, 2013.

The Revolver bears interest at the Prime Rate plus 1.75% (totaling 5% at December 30, 2013), and is adjusted every six months for any change in the Prime Rate. In addition to changes in the Prime Rate, the rate can be reduced by up to .50% based on certain EBITDA achievement levels. Under the Revolver, the Company may borrow, repay and re-borrow an amount not to exceed the lesser of \$2,500,000 or the total of 80% of eligible billed and unbilled accounts receivable (less the aggregate outstanding on any letters of credit). There were no borrowings under the Revolver as of and for the year ended December 31, 2013. The Term Loan bears interest for the first 6 months at the Prime Rate plus 2.75% (totaling 6% at December 31, 2013), and is adjusted every six months for any change in the Prime Rate. In addition to changes in the Prime Rate, the rate can be reduced by up to .50% based on certain EBITDA achievement levels. The Term Loan may be prepaid without penalty at any time. The Term Loan is interest only for six months followed by 54 principal and interest payments commencing on July 30, 2014 with a balloon payment for any remaining principal balance at maturity.

The Commerce credit facility is secured by a first priority perfected security interest in substantially all of the Company's assets and all of the assets of World Energy Securities Corp. The current indebtedness to Massachusetts Capital Resource Company ("MCRC") is subordinated to the Commerce credit facility. The Loan and Security Agreement contains certain affirmative and negative covenants including a minimum Debt Service Coverage Ratio and financial reporting requirements.

In conjunction with its former SVB credit facility, the Company issued warrants to SVB to purchase 45,045 shares of the Company's common stock with an expiration date of October 2, 2019. The Company accounted for the issuance of warrants in accordance with the guidance prescribed in the ASC Topic 470-20, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants" ("ASC 470-20"). In accordance with ASC 470-20, the value of the stock purchase warrants was considered an Original Issue Discount ("OID") which was required to be amortized over the life of the note as interest expense with a corresponding credit to long-term debt. The unamortized debt discount at December 31, 2012 was approximately \$130,000. The debt discount was fully amortized at December 31, 2013 in conjunction with the Company's retirement of the SVB credit facility and included as part of interest expense in the accompanying consolidated statement of operations for the year ended December 31, 2013. The amortization and write-down of unamortized debt discount of approximately \$130,000 was included as part of interest expense for the year ended December 31, 2013. For the year ended December 31, 2012, the amortization of debt discount was approximately \$10,000, and was included as part of interest expense.

Subordinated Note

On October 3, 2012, the Company entered into a Note Purchase Agreement with MCRC, in which the Company entered into an 8-year, \$4 million Subordinated Note due 2020 with MCRC (the "MCRC Note"). The MCRC Note bears interest at 10.5% and is interest only for the first four years followed by 48 equal principal payments commencing October 31, 2016. The Company must pay a premium of 3% if it prepays the MCRC Note before October 1, 2014 and a 1% premium if it prepays the MCRC Note before October 1, 2015. The MCRC Note is subordinated to the Company's credit facility with Commerce Bank and contains a consolidated net earnings available for interest charges to interest charges covenant, as adjusted, of not less than one-to-one that the Company was not in compliance with as of December 31, 2013. Subsequent to December 31, 2013, MCRC waived the non-compliance with this covenant and entered into a new Minimum Fixed Charge Ratio covenant commencing in the first quarter of 2014. As a result, the MCRC Note has been classified as long-term as of December 31, 2013.

Aggregate gross principal maturities of debt by year are as follows:

	Total
2014	\$ 978,000
2015	1,131,000
2016	1,451,000
2017	2,277,000
2018 and thereafter	4,663,000
Total	<u>\$ 10,500,000</u>

NOTE 16 — SEGMENT REPORTING

The Company operates the business based on two industry segments: Energy procurement and Energy efficiency services. The Company delivers its Energy procurement services to four markets: retail energy, wholesale energy, demand response and environmental commodity. The Energy procurement process is substantially the same regardless of the market being serviced and is supported by the same operations personnel utilizing the same basic technology and back office support. There is no discrete financial information for these product lines nor are there segment managers who have operating responsibility for each product line. Energy efficiency services focus on turn-key electrical, mechanical and lighting energy efficiency measures servicing commercial, industrial and institutional customers.

Segment operating income represents income from operations including stock-based compensation, amortization of intangible assets and depreciation. The following tables present certain continuing operating division information in accordance with the provisions of ASC 280, "Segment Reporting".

	Years Ended December 31,		
	2013	2012	2011
Consolidated revenue from external customers:			
Energy procurement	28,892,275	24,476,054	20,473,417
Energy efficiency services	5,784,840	7,302,783	51,150
Consolidated total revenue	<u>\$ 34,677,115</u>	<u>\$ 31,778,837</u>	<u>\$ 20,524,567</u>
Consolidated (loss) income before income taxes:			
Energy procurement	(2,246,678)	(2,251,951)	442,851
Energy efficiency services	(695,818)	63,507	(351,104)
Consolidated (loss) income before income taxes	<u>\$ (2,942,496)</u>	<u>\$ (2,188,444)</u>	<u>\$ 91,747</u>
	December 31,		
	2013	2012	
Consolidated total assets:			
Energy procurement	44,898,931	48,839,503	
Energy efficiency services	6,180,531	6,291,159	
Consolidated total assets	<u>\$ 51,079,462</u>	<u>\$ 55,130,662</u>	
	Years Ended December 31,		
	2013	2012	2011
Energy Procurement:			
Amortization	<u>\$ 3,777,905</u>	<u>\$ 2,897,126</u>	<u>\$ 1,450,394</u>
Depreciation	<u>\$ 196,571</u>	<u>\$ 208,846</u>	<u>\$ 144,987</u>
Interest expense, net	<u>\$ 1,081,754</u>	<u>\$ 434,467</u>	<u>\$ (24,446)</u>
Energy Efficiency Services:			
Amortization	<u>\$ 157,158</u>	<u>\$ 167,260</u>	<u>\$ 23,694</u>
Depreciation	<u>\$ 25,103</u>	<u>\$ 8,389</u>	<u>\$ 1,959</u>
Interest expense, net	<u>\$ -</u>	<u>\$ 112,608</u>	<u>\$ 25,972</u>

NOTE 17 — SUPPLEMENTAL CASH FLOW INFORMATION

Following is supplemental cash flow information for the years presented:

	Years Ended December 31,		
	2013	2012	2011
Supplemental Disclosure of Cash Flow Information:			
Net cash paid for interest	\$ (1,042,667)	\$ (541,395)	\$ (34,931)
Net cash paid for income taxes	\$ (131,287)	\$ (131,337)	\$ (20,148)
Non-cash activities:			
Fair value of common stock issued in acquisitions	\$ -	\$ -	\$ 3,462,122
Equipment acquired under capital leases	\$ 21,416	\$ -	\$ -
Related party subordinated notes payable issued in acquisitions	\$ -	\$ 2,000,000	\$ 3,000,000
Fair value of common stock issued as contingent consideration related to acquisitions	\$ 325,450	\$ 2,219,000	\$ 4,685,813
Fair value of warrants issued	\$ -	\$ 139,555	\$ -
Notes payable assumed in acquisitions	\$ -	\$ -	\$ 53,709
Conversion of note receivable into equity investment	\$ -	\$ -	\$ 716,936

NOTE 18 — SUBSEQUENT EVENT

As of December 31, 2013, the Company was not in compliance with the consolidated net earnings available for interest charges to interest charges covenant, as adjusted, of the MCRC Note . Subsequent to December 31, 2013, MCRC waived the non-compliance with this covenant as of December 31, 2013 and entered into a new Minimum Fixed Charge Ratio covenant commencing in the first quarter of 2014.

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
2.1	Asset Purchase Agreement by and among World Energy Solutions, Inc., EnergyGateway, LLC and the Members of EnergyGateway, LLC dated May 23, 2007 (incorporated by reference to Exhibit 99.1 to our report on Form 8-K filed May 24, 2007).
3.1	Form of Amended and Restated Certificate of Incorporation of World Energy (incorporated by reference to Exhibit 3.4 to our Registration Statement of Form S-1 (File No. 333-136528)).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of World Energy Solutions, Inc. (incorporated by reference to Exhibit 3.1 to our report on Form 8-K filed March 30, 2009).
3.3	Form of Amended and Restated By-laws of World Energy (incorporated by reference to Exhibit 3.5 to our Registration Statement of Form S-1 (File No. 333-136528)).
3.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation of World Energy (incorporated by reference to Exhibit 3.1 to our report on Form 8-K filed May 24, 2010).
4.1	Specimen Certificate evidencing shares of common stock (incorporated by reference to Exhibit 4.1 to our Registration Statement of Form S-1 (File No. 333-136528)).
4.2	Promissory Note dated October 3, 2012 by the Company for the benefit of Northeast Energy Partners, LLC (incorporated by reference to Exhibit 4.1 to our report on Form 8-K filed October 4, 2012).
10.1 +	2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to our Registration Statement of Form S-1 (File No. 333-136528)).
10.2 +	2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to our Registration Statement of Form S-1 (File No. 333-136528)).
10.3	Note Purchase Agreement dated October 3, 2012, between the Company and Massachusetts Capital Resource Company (incorporated by reference to Exhibit 10.2 to our report on Form 8-K filed October 4, 2012).
10.4	Subordinated Note Due 2020 by the Company for the benefit of Massachusetts Capital Resource Company (incorporated by reference to Exhibit 4.3 to our report on Form 8-K filed October 4, 2012).
10.5	Subordinated Note due 2013, dated November 7, 2005 (incorporated by reference to Exhibit 10.4 to our Registration Statement of Form S-1 (File No. 333-136528)).
10.6	Voting Common Stock Purchase Warrant, dated November 7, 2005 (incorporated by reference to Exhibit 10.5 to our Registration Statement of Form S-1 (File No. 333-136528)).
10.7	Form of Common Stock Purchase Warrants (incorporated by reference to Exhibit 10.6 to our Registration Statement of Form S-1 (File No. 333-136528)).
10.8	Escrow Agreement (incorporated by reference to Exhibit 10.12 to our Registration Statement of Form S-1 (File No. 333-136528)).
10.9 +	Offer letter agreement, dated October 1, 2003, between World Energy and Philip V. Adams (incorporated by reference to Exhibit 10.13 to our Registration Statement of Form S-1 (File No. 333-136528)).
10.10 +	Offer letter agreement, dated April 5, 2006, between World Energy and James Parslow (incorporated by reference to Exhibit 10.14 to our Registration Statement of Form S-1 (File No. 333-136528)).
10.11	Loan and Security Agreement by and between World Energy Solutions, Inc. and Commerce Bank & Trust Company dated December 30, 2013 (incorporated by reference to Exhibit 10.1 to our report on Form 8-K filed January 6, 2014).
10.12	\$2,500,000 Revolving Credit Note for the benefit of Commerce Bank & Trust Company dated December 30, 2013 (incorporated by reference to Exhibit 10.2 to our report on Form 8-K filed January 6, 2014).
10.13	\$6,000,000 Term Note for the benefit of Commerce Bank & Trust Company dated December 30, 2013 (incorporated by reference to Exhibit 10.3 to our report on Form 8-K filed January 6, 2014).
10.14	Subordination Agreement between Commerce Bank and Trust Company and Massachusetts Capital Resource Company dated December 30, 2013 (incorporated by reference to Exhibit 10.4 to our report on Form 8-K filed January 6, 2014).

<u>Exhibit</u>	<u>Description</u>
10.15	Warrant to Purchase Stock dated October 3, 2012 between the Company and Silicon Valley Bank (incorporated by reference to Exhibit 4.2 to our report on Form 8-K filed October 4, 2012).
10.16	Form of Securities Purchase Agreement executed with respect to \$1.4 million in common stock purchases made by certain investors (incorporated by reference to Exhibit 10.21 to our report on Form 10-K filed on March 4, 2010).
10.17	Contract Purchase Agreement dated September 13, 2011 by and between the Company and Co-cXprise, Inc. (incorporated by reference to Exhibit 10.1 to our report on Form 8-K filed September 14, 2011).
10.18	Asset Purchase Agreement dated October 13, 2011 by and between the Company, Northeast Energy Solutions, LLC, Robert Boissonneault, Michael Santangelo, and Richard Galipeau (incorporated by reference to Exhibit 10.1 to our report on Form 8-K filed October 17, 2011).
10.19	Amendment No. 1 to Asset Purchase Agreement and Promissory Note, effective October 20, 2011, by and between the Company and Northeast Energy Solutions, LLC (incorporated by reference to Exhibit 10.1 to our report on Form 10-Q filed November 3, 2011).
10.20	Asset Purchase Agreement dated October 31, 2011 by and among the Company, GSE Consulting, LP, Glenwood Energy Partners, Ltd. and Gulf States Energy, Inc. (incorporated by reference to Exhibit 10.1 to our report on Form 8-K filed November 1, 2011).
10.21	Asset Purchase Agreement dated October 3, 2012 by and among the Company, Northeast Energy Partners, LLC and John Hardy, Thomas Lockwood and Lora Monroe (incorporated by reference to Exhibit 121 to our report on Form 8-K filed October 4, 2012).
10.22	Severance Agreement and Release dated June 6, 2012 between the Company and Richard Domaleski (incorporated by reference to Exhibit 10.1 to our report on Form 8-K filed June 12, 2012).
10.23 +	Executive Employment Agreement dated February 7, 2013 between the Company and Philip V. Adams (incorporated by reference to Exhibit 10.1 to our report on Form 8-K filed February 13, 2013).
10.24 +	Settlement and Standstill Agreement by and among World Energy Solutions, Inc., and Ardsley Advisory Partners and certain of its affiliates, dated March 11, 2014 (incorporated by reference to Exhibit 10.1 to our report on Form 8-K filed March 13, 2014).
10.25 *	Waiver and Amendment, dated March 27, 2014, to Note Purchase Agreement dated October 3, 2012 between World Energy Solutions, Inc. and Massachusetts Capital Resource Company.
21.1 *	List of Subsidiaries.
23.1 *	Consent of Marcum, LLP, Independent Registered Public Accounting Firm.
31.1 *	Certification of the Chief Executive Officer pursuant to Rule 15d-14(a) under the Securities Exchange Act.
31.2 *	Certification of the Chief Financial Officer pursuant to Rule 15d-14(a) under the Securities Exchange Act.
32.1 *	Certification of the Chief Executive Officer pursuant to Rule 15d-14(b) under the Securities Exchange Act.
32.2 *	Certification of the Chief Financial Officer pursuant to Rule 15d-14(b) under the Securities Exchange Act.
101	The following materials from World Energy Solutions, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, formatted in Extensible Business Reporting Language: (i) the consolidated balance sheets; (ii) the consolidated statements of operations; (iii) the consolidated statements of changes in stockholders' equity; (iv) the consolidated statements of cash flows; and (v) notes to consolidated financial statements.

* Filed herewith

+ Indicates a management contract or any compensatory plan, contract or arrangement

WAIVER AND AMENDMENT

This WAIVER AND AMENDMENT (this "Amendment"), is entered into as of March 27, 2014 (subject to the satisfaction of the conditions set forth in Section 4 below, the "Effective Date"), by and between World Energy Solutions, Inc., a Delaware corporation (the "Company"), and Massachusetts Capital Resource Company (the "Purchaser").

WITNESSETH:

WHEREAS, the Company and the Purchaser are parties to that certain Note Purchase Agreement dated as of October 3, 2012 (as amended hereby and as may be further amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement");

WHEREAS, the Company is in default of a certain provision of the Purchase Agreement and has requested the Lender to waive such default and to amend a certain provision of the Purchase Agreement; and

WHEREAS, the Purchaser is willing to agree to grant such waiver and make such amendment, all on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and for other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Defined Terms. Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Purchase Agreement.

2. Waiver. The following Events of Default exist under the Purchase Agreement (the "Existing Default"): the Company's breach for its fiscal quarter ended December 31, 2013 of its Interest Coverage Ratio covenant under Section 4.01(j) of the Purchase Agreement.

The Company has requested that the Purchaser waive the Existing Default. Upon satisfaction of the conditions to effectiveness set forth in Section 4 below the Purchaser hereby waives the Existing Default. The waiver contained in this Section 2 is specific in intent and valid only for the specific purpose for which it is given. Nothing contained herein obligates the Purchaser to agree to any additional waivers of any provisions of the Purchase Agreement. The waiver contained in this Section 2 is a waiver of only the Existing Default, and shall not operate as a waiver of the Purchaser's right to exercise remedies resulting from (i) any other existing and/or continuing Event of Default, or (ii) any future Event of Default, whether or not of a similar nature and whether or not known to the Purchaser.

3. Amendment to Purchase Agreement. Upon satisfaction of the conditions to effectiveness set forth in Section 4 below:

(a) As of and from the Effective Date of this Amendment, Section 4.01(j) of the Purchase Agreement is amended in its entirety as follows:

(j) Maintenance of Minimum Fixed Charge Coverage Ratio. The Company shall not permit its Fixed Charge Coverage Ratio to be less than the ratio set forth below, such Fixed Charge Coverage Ratio being measured quarterly, as of the final day of each fiscal quarter of the Company, commencing on and with the fiscal quarter ending March 31, 2014.

Ratio not less than:	For the Fiscal Quarter Ending
.5 to 1.0	March 31, 2014, calculated for the fiscal quarter then ended.
.75 to 1.0	June 30, 2014, calculated for the two fiscal quarters ended March 31, 2014 and June 30, 2014.
1.0 to 1	September 30, 2014, calculated for the three fiscal quarters ended March 31, 2014, June 30, 2014 and September 30, 2014.
1.0 to 1.0	Each fiscal quarter thereafter, calculated for the four fiscal quarters then ended.

(b) As of and from the Effective Date of this Amendment, Section 6.01 of the Purchase Agreement is amended by adding thereto the following definitions:

"Capital Expenditures" means, for any period, the sum for the Company of the aggregate amount of expenditures made or liabilities incurred during such period (including the aggregate amount of Capital Lease Obligations incurred during such period) to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs) computed in accordance with GAAP; provided that such term shall not include any expenditures in connection with any replacement or repair of property affected by a casualty event.

"Capital Lease Obligations" of any person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"EBITDA" means the total of (i) Consolidated Net Income of the Company plus (ii) all amounts deducted in computing such Consolidated Net Income in respect of (u) interest expense on Indebtedness, (v) taxes based upon or measured by income, (w) depreciation and amortization, each to the extent accrued or paid (without double counting) in the applicable period and actually deducted in determining Consolidated Net Income, (x) up to \$500,000 for one-time, non-recurring expenses relating to legal and financial costs actually incurred by the Company in connection with a certain proxy dispute, (y) net changes in deferred revenue and (z) non-cash charges for stock based compensation, minus extraordinary and non-operating income, as each such item is determined in accordance with GAAP.

"Fixed Charge Coverage Ratio" means, as of any date of measurement thereof, the ratio of (a) (i) EBITDA of the Company for the period of the number of consecutive fiscal quarters set forth in Section 4.01(j) ending on or most recently ended prior to such date minus (ii) the aggregate amount of all Non-Financed Capital Expenditures of the Company during such period minus (iii) the aggregate amount paid, or required to be paid by the Company (without duplication), in cash in respect of the current portion of all income taxes for such period to (b) the sum of (i) the aggregate amount of Interest Expense for such period, (ii) the aggregate amount of regularly scheduled payments of principal in respect of Indebtedness for borrowed money (including the principal component of any payments in respect of Capital Lease Obligations but, for avoidance of doubt, excluding any prepayment of any principal amount) paid or required to be paid during such period, and (iii) the aggregate amount of contingent or earn-out cash payments made during such period.

"Interest Expense" means, for any period, the sum, without duplication, for the Company, of all interest in respect of Indebtedness accrued or paid during such period (whether or not actually paid during such period), but excluding capital debt acquisition costs.

"Non-Financed Capital Expenditures" means Capital Expenditures paid in cash and not financed with Indebtedness for money borrowed.

4. Conditions. The effectiveness of this Amendment is subject to the following conditions:

- (a) the execution and delivery of this Amendment by the Company and the Purchaser;
- (b) all other documents and legal matters in connection with the transactions between the Company and the Purchaser contemplated by this Agreement shall have been delivered, executed, or recorded and shall be in form and substance satisfactory to the Purchaser; and
- (c) the Company shall have paid the Purchaser all fees, costs and expenses of the Purchaser in connection with this Amendment, including, without limitation, reasonable fees, costs and expenses of counsel.

5. Representations and Warranties. The Company hereby represents and warrants, to the Purchaser as follows:

- (a) the Company is a corporation, duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
- (b) the Company has the power and authority to execute, deliver and perform its obligations under this Amendment and the Purchase Agreement;
- (c) the execution, delivery and performance by the Company of this Amendment and the Purchase Agreement have been duly authorized by all necessary corporate action and does not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any governmental agency);

(d) this Amendment, the Purchase Agreement and any other loan documents executed in connection herewith and therewith (the "Loan Documents") to which the Company or any of its Subsidiaries is a party, as each Loan Document is amended by this Amendment, constitute the legal, valid and binding obligation of the Company and such Subsidiaries, enforceable against such Person in accordance with its terms;

(e) after giving effect to the waiver by the Purchaser in Section 2 above, no Event of Default exists or shall exist immediately following the consummation of the transactions contemplated hereby;

(f) after giving effect to this Amendment, all representations and warranties by the Company contained in the Purchase Agreement are true and correct in all material respects as of the date hereof, except to the extent made as of a specific date, in which case each such representation and warranty shall be true and correct as of such date; and

(g) by its signature below, the Company agrees that it shall constitute an Event of Default if any representation or warranty made herein is untrue or incorrect in any material respect as of the date when made or deemed made.

6. Agreement in Full Force and Effect as Amended. Except as specifically amended, consented and/or waived hereby, the Purchase Agreement and other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed as so amended. Except as expressly set forth herein, this Amendment shall not be deemed to be a waiver, amendment or modification of any provisions of the Purchase Agreement or any other Loan Document or any right, power or remedy of the Purchaser, nor constitute a waiver of any provision of the Purchase Agreement or any other Loan Document, or any other document, instrument and/or agreement executed or delivered in connection therewith or of any Event of Default under any of the foregoing, in each case, whether arising before or after the date hereof or as a result of performance hereunder or thereunder. Except as to the specific waivers provided herein, this Amendment also shall not preclude the future exercise of any right, remedy, power, or privilege available to the Purchaser whether under the Purchase Agreement, the other Loan Documents, at law or otherwise and nothing contained herein shall constitute a course of conduct or dealing among the parties hereto. All references to the Purchase Agreement shall be deemed to mean the Purchase Agreement as amended hereby. This Amendment shall not constitute a novation or satisfaction and accord of the Purchase Agreement and/or other Loan Documents, but shall constitute an amendment thereof. The parties hereto agree to be bound by the terms and conditions of the Purchase Agreement and Loan Documents as amended by this Amendment, as though such terms and conditions were set forth herein. Each reference in the Purchase Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of similar import shall mean and be a reference to the Purchase Agreement as amended by this Amendment, and each reference herein or in any other Loan Document to the "Purchase Agreement" shall mean and be a reference to the Purchase Agreement as amended and modified by this Amendment.

7. Counterparts. This Amendment may be executed by one or more of the parties to this Amendment and any number of separate counterparts, each of which when so executed, shall be deemed an original and all said counterparts when taken together shall be deemed to constitute but one and the same instrument.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Company and its successors and assigns and the Purchaser and its successors and assigns.

9. Further Assurance. The Company hereby agrees from time to time, as and when requested by the Purchaser, to execute and deliver or cause to be executed and delivered, all such documents, instruments and agreements and to take or cause to be taken such further or other action as the Purchaser may reasonably deem necessary or desirable in order to carry out the intent and purposes of this Amendment, the Purchase Agreement and the Loan Documents.

10. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE COMMONWEALTH OF MASSACHUSETTS, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

11. Severability. Wherever possible, each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Amendment.

12. Reaffirmation. The Company as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which the Company grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party (after giving effect hereto) and (ii) to the extent the Company granted liens on or security interests in any of its property pursuant to any such Loan Document as security for or otherwise guaranteed the Obligations under or with respect to the Loan Documents, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. The Company hereby consents to this Amendment and acknowledges that each of the Loan Documents remains in full force and effect and is hereby ratified and reaffirmed. Except as expressly set forth herein, the execution of this Amendment shall not operate as a waiver of any right, power or remedy of the Purchaser, constitute a waiver of any provision of any of the Loan Documents or serve to effect a novation of the Obligations.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF , each of the undersigned has executed this Amendment as of the date set forth above.

WORLD ENERGY SOLUTIONS, INC.

By: /s/ James Parslow

Name: James Parslow

Title: CFO

MASSACHUSETTS CAPITAL RESOURCE COMPANY

By: /s/ Daniel P. Corcoran, Jr.

Name: Daniel P. Corcoran, Jr.

Title: Vice President

SUBSIDIARIES OF REGISTRANT

SubsidiaryState of Incorporation

World Energy Securities Corp.

Massachusetts

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of World Energy Solutions, Inc. on Form S-8 (File Nos. 333-151641 and 333-140014) and Form S-3 (File Nos. 333-165822, 333-164473, and 333-147301) of our report dated March 31, 2014, with respect to our audits of the consolidated financial statements of World Energy Solutions, Inc. as of December 31, 2013 and December 31, 2012, and for the each of the years in the three-year period ended December 31, 2013, which report is included in this Annual Report on Form 10-K of World Energy Solutions, Inc. for the year ended December 31, 2013.

/s/ Marcum LLP

Marcum LLP
Boston, Massachusetts
March 31, 2014

**CERTIFICATION PURSUANT TO
§302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Philip Adams, certify that:

1. I have reviewed this annual report on Form 10-K of World Energy Solutions, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: March 31, 2014

By: /s/ Philip Adams

Philip Adams

Chief Executive Officer

**CERTIFICATION PURSUANT TO
§302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James Parslow, certify that:

1. I have reviewed this annual report on Form 10-K of World Energy Solutions, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: March 31, 2014

By: /s/ James Parslow

James Parslow
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. §1350, AS ADOPTED
PURSUANT TO §906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of World Energy Solutions, Inc. (the "Company") on Form 10-K (the "Report") for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof, I, Philip Adams, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2014

By: /s/ Philip Adams
Philip Adams
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. §1350, AS ADOPTED
PURSUANT TO §906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of World Energy Solutions, Inc. (the "Company") on Form 10-K (the "Report") for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof, I, James Parslow, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2014

By: /s/ James Parslow

James Parslow
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

APPENDIX I



DNB®
Risk Management

Printed By: Amanda Swanson
Date Printed: June 03, 2014

Live Report : WORLD ENERGY SOLUTIONS, INC.

D-U-N-S® Number: 01-114-1343

Trade Names: WORLD ENERGY SOLUTIONS

Endorsement/Billing Reference: aswanson@worldenergy.com

D&B Address				Added to Portfolio: 03/20/2007	
Address	100 Front St Fl 20 Worcester, MA - 01608	Location Type	Headquarters	Last View Date:	03/13/2014
Phone	508 752-2925	Web	www.worldenergy.com	Endorsement :	aswanson@worldenergy.com
Fax	508-459-8101				

Company Summary

Currency: Shown in USD unless otherwise indicated

Score Bar

PAYDEX®		68	Paying 17 days past due
Commercial Credit Score Class		3	Moderate Risk of severe payment delinquency.
Financial Stress Score Class		3	Moderate Risk of severe financial stress.
Credit Limit - D&B Conservative		80,000.00	Based on profiles of other similar companies.
D&B Rating		4A2	4A indicates 10 to 50 million, Credit appraisal of 2 is good

D&B Company Overview

This is a headquarters location

Branch(es) or Division(s) exist Y

Chief Executive	PHILIP V ADAMS, PRES-CEO
Stock Symbol	XWES
Year Started	1999
Employees	126 (Undetermined Here)
Financing	SECURED
SIC	7389
Line of business	Business services
NAICS	561499
History Status	CLEAR
Financial Condition	GOOD

Public Filings

The following data includes both open and closed filings found in D&B's database on this company.

Record Type	Number of Records	Most Recent Filing Date
Bankruptcies	0	-
Judgments	0	-
Liens	0	-
Suits	0	-
UCCs	8	12/31/13

The public record items contained herein may have been paid, terminated, vacated or released prior to today's date.

Stock PerformanceXWES : **4.12** ↑ 0.06 (1.23%)

Previous Close:	4.08
Volume:	103.00
Daily High:	4.12
Daily Low:	4.12
52-Week High:	5.04
52-Week Low:	3.00
P/E:	N/A
Market Cap:	52,035,600
EPS:	-0.16
Div/Yield:	0.00

Company News**Today: Tuesday, June 03, 2014**

World Energy Solutions Announces Q1 Financial
2014-05-08T07:12:28 EST 7:12 AM-GlobeNewswire

Reverse Energy Auctions Save \$6 Million
2014-05-05T10:12:54 EST 10:12 AM-Energy Manager

World Energy Solutions to Release Fiscal First
2014-05-05T07:18:26 EST 7:18 AM-GlobeNewswire

Powered by FirstRain

Detailed Trade Risk Insight™

Days Beyond Terms Past 3 Months

9
Days

Dollar-weighted average of 18 payment experiences reported from 17 Companies

Recent Derogatory Events

	Feb-14	Mar-14	Apr-14
Placed for Collection	-	-	-
Bad Debt Written Off	-	-	-

News & Alerts

Alert Type	Date	Actions
Financial Statements	04/03/2014	View

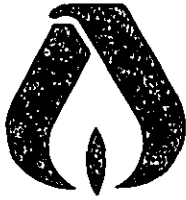
In the last 30 days, 1 alerts were generated for this company.

RECEIVED

JUN 25 2014

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

APPENDIX J



VALLEY ENERGY

523 S. Keystone Avenue, P.O. Box 340, Sayre, PA 18840
800/998-4427 • 570/888-9664 • FAX 570/888-6199

June 12, 2014

VIA EMAIL

Ms. Cheryl Parker, Staff Attorney
World Energy Solutions, Inc.
100 Front St., 20th Floor
Worcester, MA 01608
www.worldenergy.com

Dear Ms. Parker:

We understand that World Energy Solutions, Inc. has applied with the Pennsylvania Public Utility Commission to supply natural gas services to the public in Pennsylvania including our company's service area.

Because World Energy Solutions, Inc. intends to only provide natural gas aggregating, brokering and consulting services at this time, we have determined that World Energy Solutions, Inc. will not be required to post a bond or other form of financial security instrument to provide this service in our service area. However, if the service provided or failure to meet our requirements for credit worthiness changes in the future, we reserve the right to require security from World Energy Solutions, Inc. as deemed appropriate.

If you have any questions, please contact Mrs. Marjorie Johnston at 570-888-9664.

Sincerely,

Robert J. Crocker
President & CEO

RJC/ss

cc: M. Johnston, Valley Energy



National Fuel

June 16, 2014

Cheryl Parker
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608

Re: Security Requirement for World Energy Solutions, Inc:

Dear Cheryl,

National Fuel Gas Distribution Corporation ("NFGDC") is aware World Energy Solutions, Inc. (WES) has filed an application with the Pennsylvania Public Utility Commission to supply natural gas services to the public in Pennsylvania and specifically within the service territory of NFGDC.

As you know, in making such an application, WES must furnish acceptable security to each utility where WES will do business. As such, under its tariff, NFGDC could require WES to provide a bond or other financial security instrument in an amount that NFGDC determines to be appropriate.

However, you have indicated, and it is NFGDC's understanding that WES intends only to provide natural gas aggregating, brokering and consulting services at this time. You have stated that, in performing these services, WES will never take title to any delivered natural gas.

Based upon your representations, NFGDC has determined that, at this time, WES does not need to post a bond or other form of security to operate in its service territory. However, if the services provided by WES change in the future, NFGDC reserves the right to require security from WES as it deems appropriate.

If you have any questions concerning the foregoing, please contact me at 716-857-7599.

Yours truly,

Nathan E. Barnes
Transportation Services Department

Philadelphia Gas Works



800 W. Montgomery Ave., Philadelphia, PA 19122
Telephone: 215-236-0500

June 10, 2014

Cheryl Parker, Esquire
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608

Re: *Security Requirement Bond for World Energy Solutions, Inc.*

Dear Ms. Parker:

Philadelphia Gas Works ("PGW") is aware that World Energy Solutions, Inc. has filed an application with the Pennsylvania Public Utility Commission to supply natural gas services to the public in Pennsylvania and specifically within the services territory of Philadelphia Gas Works.

As you know, in making such an application, World Energy Solutions, Inc. must furnish acceptable security to each utility where World Energy Solutions, Inc. will do business. As such, under its tariff, Philadelphia Gas Works could require World Energy Solutions, Inc. to provide a bond or other financial security instrument in an amount that Philadelphia Gas Works determines to be appropriate.

However, since you are just beginning the process with the PAPUC and the Philadelphia Gas Works to become a supplier, the Philadelphia Gas Works at this time will not require any type of bond or security.

If circumstances should change during the vetting of the application, Philadelphia Gas Works reserves the right to require security from World Energy Solutions, Inc. as it deems appropriate.

If you have any questions concerning the foregoing, please contact me at (215) 684-6405.

Sincerely,

A handwritten signature in black ink, appearing to read "Ray M. Snyder", is written over the word "Sincerely,".

Raymond M. Snyder
Vice President
Gas Management

RMS:b



PEOPLES NATURAL GAS



PEOPLES TWP

375 N. Shore Drive, Suite 600
Pittsburgh, PA 15212

Lynda W. Petrichevich
Manager, Rates and Regulatory Affairs

Peoples Service Company LLC
Phone: 412-208-6528; Fax: 412-208-6577
Email: lpetrichevich@peoples-gas.com

June 6, 2014

Philip Adams
CEO
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608

Dear Mr. Adams:

We are pleased that World Energy Solutions, Inc. has applied for a license to provide natural gas broker/marketer services on the Peoples Group of Companies. Specifically you have requested to be licensed as a supplier on the distribution systems of Peoples Natural Gas Company LLC, Peoples TWP, and Peoples Natural Gas LLC – Equitable Division (“the Companies”).

Since World Energy Solutions, Inc. is not currently operating, and has no immediate plan to operate a Pool on the Peoples systems, we have determined at this time that World Energy Solutions, Inc. does not need a bond or other financial security requirement to provide these services to the Company’s customers.

If the creditworthiness requirement or the Company’s exposure to World Energy Solutions, Inc. provision of services on the Peoples’ system changes in the future, the Companies may deem it appropriate to require a bond or other financial instrument.

If you have any questions feel free to contact me at 412-208-6528 or by email at
Lynda.W.Petrichevich@peoples-gas.com.

Sincerely,

Lynda W. Petrichevich
Manager, Rates and Regulatory Affairs
Peoples Natural Gas Company LLC

Cc: Steven Kolich
Carol Miller

SAFETY

CUSTOMER
COMMITMENT

TRUST

COMMUNITY



UGI Utilities, Inc.
2525 North 12th Street
Suite 380
Post Office Box 12677
Reading, PA 19612-2677
(610) 796-3400 Telephone

June 6, 2014

Philip Adams
CEO
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608

RE: World Energy Solutions, Inc. application to serve as a broker/marketer

Dear Mr. Adams,

Based on your assertion that World Energy Solutions, Inc, ("WORLD ENERGY") is applying with the State of Pennsylvania to operate as a natural gas broker/marketer, UGI Utilities Inc. ("UGIU") has concluded that WORLD ENERGY will not need to post security with UGI-Central Penn Gas ("CPG"), UGI-Penn Natural Gas ("PNG") or UGI Utilities Gas Division ("UGI"). This is based on the declaration that WORLD ENERGY will not be taking title to gas or directly serving end use customers. This also assumes that WORLD ENERGY will be acting on the behalf of a licensed Natural Gas Supplier who has been approved by the Pennsylvania Public Utility Commission to serve in the applicable UGIU service territories and who has posted the required financial security as specified in the respective UGIU tariffs. If WORLD ENERGY wishes to directly serve Choice customers in the service territories of UGI, PNG and/or CPG in the future as a natural gas supplier, it will have to post security as specified in the respective UGI tariffs prior to the commencement of the service.

Please feel free to contact me with any additional questions that you may have.

Sincerely,
A handwritten signature in black ink, appearing to read 'David E. Lahoff', is written over the word 'Sincerely,'.

David E. Lahoff
Manager, Tariff & Supplier Administration
UGI Utilities, Inc.

June 5, 2014

World Energy Solutions, Inc.
Attn: Cheryl Parker
Staff Attorney
100 Front Street, 20th Floor
Worcester, MA 01608

Re: Bonding Requirements

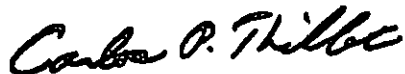
Dear Cheryl Parker:

PECO is aware that World Energy Solutions, Inc. has applied for a license to provide brokering and consulting services to commercial and industrial customers on the distribution system of PECO.

In making such an application, World Energy Solutions, Inc. could be required to provide to PECO a bond or other acceptable financial security in an amount that PECO determines to be appropriate. World Energy Solutions, Inc. has indicated that it intends to provide only brokering and consulting services to commercial and industrial customers will not take title to any delivered natural gas; nor will accept any customer payments or deposits. Therefore, PECO has determined at this time that World Energy Solutions, Inc. does not need a bond or other financial security requirement, since they are not directly engaging in business with PECO and only providing brokering or consulting services to PECO customers. However, if the services provided by World Energy Solutions, Inc. or the creditworthiness requirement for PECO's exposure to World Energy Solutions, Inc. changes in the future, PECO reserves the right to require World Energy Solutions, Inc. to provide a bond or other financial security instrument.

If you should have any questions regarding this matter, please contact Chris Sauerbaum at 215-841-6422 or myself at 215-841-6452.

Respectfully submitted,



Carlos P. Thillet
Manager, Gas Supply and Transportation
2301 Market St S9-1
Philadelphia, Pa 19103

June 9, 2014

Cheryl Parker
Staff Attorney
World Energy Solutions
100 Front Street, 20th Floor
Worcester, MA 01608

Dear Ms. Parker:

We are pleased that World Energy Solutions, Inc. ("World Energy") has applied for a license to provide Natural Gas Broker/Marketer Services on the distribution system of Columbia Gas of Pennsylvania, Inc. ("Columbia Gas").

Under Paragraph 2.4.5 of the Rules Applicable to Distribution Service section of the Tariff of Columbia Gas, World Energy could be required to provide to Columbia Gas a bond or other financial security instrument in an amount that Columbia Gas determines to be appropriate. *World Energy has indicated only brokering and consulting services will be provided. Therefore, we have determined at this time that World Energy does not need a bond or other financial security requirement to provide broker natural gas services to Columbia Gas customers.*

If the creditworthiness requirement or Columbia Gas' exposure to World Energy changes in the future, Columbia Gas might deem it appropriate to require World Energy to provide a bond or other financial security instrument.

Please feel free to contact me at 614-460-4881 should you have any questions regarding a bond or other financial security instrument requirements of Columbia Gas.

Sincerely,



Debbie Vair
Team Leader of Choice

RECEIVED

JUN 25 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX K

PROOF OF PUBLICATION
In
THE ERIE TIMES-NEWS
COMBINATION EDITION

WorldEnergy
100 Front Street 20th Floor
Worcester MA 01608

REFERENCE: 80150 73944
PUC Notice

STATE OF PENNSYLVANIA)
COUNTY OF ERIE) SS:

Debra McGraw, being duly sworn, deposes and says that: (1) he/she is a designated agent of the Times Publishing Company (TPC) to execute Proofs of Publication on behalf of the TPC; (2) the TPC, whose principal place of business is at 205 W. 12th Street, Erie, Pennsylvania, owns and publishes the Erie Times-News, established October 2, 2000, a daily newspaper of general circulation, and published at Erie, Erie County Pennsylvania; (3) the subject notice or advertisement, a true and correct copy of which is attached, was published in the regular edition(s) of said newspaper on the date(s) referred to below. Affiant further deposes that he/she is duly authorized by the TPC, owner and publisher of the Erie Times-News, to verify the foregoing statement under oath, and affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statement as to time, place and character of publication are true.

PUBLISHED ON: 06/10/14

TOTAL COST: \$409.00 AD SPACE: 0 Lines

FILED ON: 06/10/14

RECEIVED

JUN 25 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PENNSYLVANIA PUBLIC UTILITY COMMISSION
NOTICE

*Application of **World Energy Solutions, Inc.** For Approval To Offer, Render, Furnish Natural Gas Supply Services as a Marketer/Broker or Aggregator Engaged In The Business Of Supplying Natural Gas Supply Services, To The Public In The Commonwealth Of Pennsylvania.*

World Energy Solutions, Inc. intends to file in June of 2014 an application with the Pennsylvania Public Utility Commission ("PUC") for a license to provide natural gas supply services as (1) a supplier of natural gas, (2) a broker/marketer engaged in the business of supplying natural gas, and (3) an aggregator engaged in the business of providing natural gas supply services. **World Energy Solutions, Inc.** proposes to sell natural gas and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of **World Energy Solutions, Inc.** may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to **World Energy Solutions, Inc.**'s attorney at the address listed below.

By and through Counsel: Cheryl Parker, Esq.

World Energy Solutions, Inc.
100 Front Street, 20th Floor, Worcester, MA 01608
508-459-8100 • 508-459-8101

adhes-73944

Sworn to and subscribed before me this 10th day of June 2014

Affiant: Debra McGraw

NOTARY: Barbara J. Moore

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal

Barbara J. Moore, Notary Public
City of Erie, Erie County

My Commission Expires March 23, 2016

MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

The Patriot-News Co.
2020 Technology Pkwy
Suite 300
Mechanicsburg, PA 17050
Inquiries - 717-255-8213

The Patriot-News
Now you know

WORLD ENERGY
100 FRONT STREET, 20TH FLOOR

WORCESTER

MA 01608

THE PATRIOT NEWS
THE SUNDAY PATRIOT NEWS

Proof of Publication

Under Act No. 587, Approved May 16, 1929
Commonwealth of Pennsylvania, County of Dauphin} ss

Marianne Miller, being duly sworn according to law, deposes and says:

That she is a Staff Accountant of The Patriot News Co., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal office and place of business at 2020 Technology Pkwy, Suite 300, in the Township of Hampden, County of Cumberland, State of Pennsylvania, owner and publisher of The Patriot-News and The Sunday Patriot-News newspapers of general circulation, printed and published at 1900 Patriot Drive, in the City, County and State aforesaid; that The Patriot-News and The Sunday Patriot-News were established March 4th, 1854, and September 18th, 1949, respectively, and all have been continuously published ever since;

That the printed notice or publication which is securely attached hereto is exactly as printed and published in their regular daily and/or Sunday/ Community Weekly editions which appeared on the date(s) indicated below. That neither she nor said Company is interested in the subject matter of said printed notice or advertising, and that all of the allegations of this statement as to the time, place and character of publication are true; and

That she has personal knowledge of the facts aforesaid and is duly authorized and empowered to verify this statement on behalf of The Patriot-News Co. aforesaid by virtue and pursuant to a resolution unanimously passed and adopted severally by the stockholders and board of directors of the said Company and subsequently duly recorded in the office for the Recording of Deeds in and for said County of Dauphin in Miscellaneous Book "M", Volume 14, Page 317.

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
NOTICE
Application of World Energy Solutions, Inc. For Approval To Offer, Render, Furnish Natural Gas Supply Services as a Marketer/Broker or Aggregator Engaged In The Business Of Supplying Natural Gas Supply Services, To The Public In The Commonwealth Of Pennsylvania.
World Energy Solutions, Inc. intends to file in June of 2014 an application with the Pennsylvania Public Utility Commission (PUC) for a license to provide natural gas supply services as (1) a supplier of natural gas, (2) a broker/marketer engaged in the business of supplying natural gas, and (3) an aggregator engaged in the business of providing natural gas supply services. World Energy Solutions, Inc. proposes to sell natural gas and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act.
The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of World Energy Solutions, Inc. may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to World Energy Solutions, Inc.'s attorney at the address listed below.
By and through Counsel:
Cheryl Parker, Esq.
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
508-459-8100
508-459-8101

This ad# 0002303518 ran on the dates shown below:

June 12, 2014

Sworn to and subscribed before me this 12 day of June, 2014 A.D.

Notary Public

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
Holly Lynn Warfel, Notary Public
Washington Twp., Dauphin County
My Commission Expires Dec. 12, 2016

MEMBER PENNSYLVANIA ASSOCIATION OF NOTARIES

Proof of Publication in The Philadelphia Daily News
Under Act. No 587, Approved May 16, 1929

STATE OF PENNSYLVANIA
COUNTY OF PHILADELPHIA

Florence Devlin being duly sworn, deposes and says that **The Philadelphia Daily News** is a newspaper published daily, except Sunday, at Philadelphia, Pennsylvania, and was established in said city in 1925, since which date said newspaper has been regularly issued in said County, and that a copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions and issues of the said newspaper on the following dates:

June 9, 2014

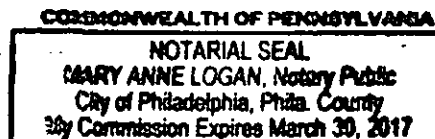
Affiant further deposes and says that she is an employee of the publisher of said newspaper and has been authorized to verify the foregoing statement and that she is not interested in the subject matter of the aforesaid notice of publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.



Sworn to and subscribed before me this 9th day of
June, 2014.


Notary Public

My Commission Expires:



Copy of Notice of Publication

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
NOTICE
Application of World Energy Solutions, Inc. For Approval To Offer, Render, Furnish Natural Gas Supply Services as a Marketer/Broker or Aggregator Engaged in The Business Of Supplying Natural Gas Supply Services To The Public in The Commonwealth Of Pennsylvania.
World Energy Solutions, Inc. intends to file in June of 2014 an application with the Pennsylvania Public Utility Commission ("PUC") for a license to provide natural gas supply services as (1) a supplier of natural gas, (2) a broker/ marketer engaged in the business of supplying natural gas, and (3) an aggregator engaged in the business of providing natural gas supply services. World Energy Solutions, Inc. proposes to sell natural gas and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act. The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of World Energy Solutions, Inc. may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3285, Harrisburg, PA 17105-3285. You should send copies of any protest to World Energy Solutions, Inc.'s attorney at the address listed below.
By and through Counsel: Cheryl Parker, Esq.
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
508-459-8100
508-459-8101

Proof of Publication of Notice in Pittsburgh Post-Gazette

Under Act No 587, Approved May 16, 1929, PL 1784, as last amended by Act No 409 of September 29, 1951

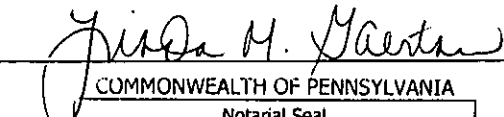
Commonwealth of Pennsylvania, County of Allegheny, ss K. Flaherty, being duly sworn, deposes and says that the Pittsburgh Post-Gazette, a newspaper of general circulation published in the City of Pittsburgh, County and Commonwealth aforesaid, was established in 1993 by the merging of the Pittsburgh Post-Gazette and Sun-Telegraph and The Pittsburgh Press and the Pittsburgh Post-Gazette and Sun-Telegraph was established in 1960 and the Pittsburgh Post-Gazette was established in 1927 by the merging of the Pittsburgh Gazette established in 1786 and the Pittsburgh Post, established in 1842, since which date the said Pittsburgh Post-Gazette has been regularly issued in said County and that a copy of said printed notice or publication is attached hereto exactly as the same was printed and published in the _____ regular _____ editions and issues of the said Pittsburgh Post-Gazette a newspaper of general circulation on the following dates, viz:

11 of June, 2014

Affiant further deposes that he/she is an agent for the PG Publishing Company, a corporation and publisher of the Pittsburgh Post-Gazette, that, as such agent, affiant is duly authorized to verify the foregoing statement under oath, that affiant is not interested in the subject matter of the afore said notice or publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.


 PG Publishing Company

Sworn to and subscribed before me this day of:
 June 11, 2014


 COMMONWEALTH OF PENNSYLVANIA
 Notarial Seal
 Linda M. Gaertner, Notary Public
 City of Pittsburgh, Allegheny County
 My Commission Expires Jan. 31, 2015
 MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

STATEMENT OF ADVERTISING COSTS

World Energy
 Attn: Cheryl Parker
 100 Front Street, 20th Floor
 Worcester MA 01608

To PG Publishing Company

Total ----- \$393.60

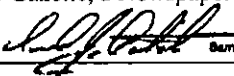
Publisher's Receipt for Advertising Costs

PG PUBLISHING COMPANY, publisher of the Pittsburgh Post-Gazette, a newspaper of general circulation, hereby acknowledges receipt of the aforesaid advertising and publication costs and certifies that the same have been fully paid.

Office
 34 Boulevard of the Allies
 PITTSBURGH, PA 15222
 Phone 412-263-1338

PG Publishing Company, a Corporation, Publisher of
 Pittsburgh Post-Gazette, a Newspaper of General Circulation

By _____


 Samuel J. Arbuthnot

I hereby certify that the foregoing is the original Proof of Publication and receipt for the Advertising costs in the subject matter of said notice.

**COPY OF NOTICE
OR PUBLICATION****PENNSYLVANIA
PUBLIC UTILITY
COMMISSION NOTICE**

Application of World Energy Solutions, Inc. For Approval To Offer, Render, Furnish, Natural Gas Supply Services as a Marketer/Broker or Aggregator Engaged in The Business Of Supplying Natural Gas Supply Services, To The Public In The Commonwealth Of Pennsylvania.

World Energy Solutions, Inc. intends to file in June of 2014 an application with the Pennsylvania Public Utility Commission ("PUC") for a license to provide natural gas supply services as (1) a supplier of natural gas, (2) a broker/marketer engaged in the business of supplying natural gas, and (3) an aggregator engaged in the business of providing natural gas supply services. World Energy Solutions, Inc. proposes to sell natural gas and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of World Energy Solutions, Inc. may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to World Energy Solutions, Inc.'s attorney at the address listed below. By and through Counsel: Cheryl Parker, Esq., World Energy Solutions, Inc., 100 Front Street, 20th Fl., Worcester, MA 01608 508-459-8100 508-459-8101

The Scranton Times (Under act P.L. 877 No 160. July 9, 1976)
Commonwealth of Pennsylvania, County of Lackawanna

WORLD ENERGY SOLUTIONS
CHERYL PARKER
100 FRONT STREET, 20TH FLOOR WORCESTER MA 01608

Account # 597212
Order # 81532422
Ad Price: 219.85

LEGAL NOTICE PENNSYLVANIA

Gina Krushinski

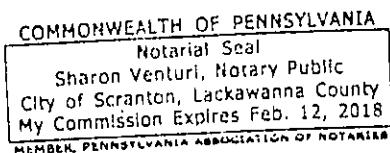
Being duly sworn according to law deposes and says that (s)he is Billing clerk for The Scranton Times, owner and publisher of The Scranton Times, a newspaper of general circulation, established in 1870, published in the city of Scranton, county and state aforesaid, and that the printed notice or publication hereto attached is exactly as printed in the regular editions of the said newspaper on the following dates:

06/09/2014

Affiant further deposes and says that neither the affiant nor The Scranton Times is interested in the subject matter of the aforesaid notice or advertisement and that all allegations in the foregoing statement as time, place and character or publication are true Gina Krushinski

Sworn and subscribed to before me
this 9th day of June A.D., 2014

Sharon Venturi
(Notary Public)



LEGAL NOTICE

PENNSYLVANIA PUBLIC UTILITY
COMMISSION NOTICE

Application of **World Energy Solutions, Inc.** For Approval To Offer, Render, Furnish Natural Gas Supply Services as a Marketer/Broker or Aggregator Engaged In The Business Of Supplying Natural Gas Supply Services, To The Public In The Commonwealth Of Pennsylvania.

World Energy Solutions, Inc. intends to file in June of 2014 an application with the Pennsylvania Public Utility Commission (PUC) for a license to provide natural gas supply services as (1) a supplier of natural gas, (2) a broker/marketer engaged in the business of supplying natural gas, and (3) an aggregator engaged in the business of providing natural gas supply services. **World Energy Solutions, Inc.** proposes to sell natural gas and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of **World Energy Solutions, Inc.** may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to World Energy Solutions, Inc.'s attorney at the address listed below.

By and through Counsel:
Cheryl Parker, Esq.
World Energy Solutions, Inc.
100 Front Street, 20th Floor
Worcester, MA 01608
508-459-8100
508-459-8101

PROOF OF PUBLICATION OF NOTICE IN THE WILLIAMSPORT
SUN-GAZETTE UNDER ACT NO. 587, APPROVED MAY 16, 1929

STATE OF PENNSYLVANIA
COUNTY OF LYCOMING

SS:

Bernard A. Oravec

Publisher of the Sun-Gazette Company, publishers of the Williamsport, Sun-Gazette, successor to the Williamsport Sun and the Gazette & Bulletin, both daily newspapers of general circulation, published at 252 West Fourth Street, Williamsport, Pennsylvania, being duly sworn, deposes and says that the Williamsport Sun was established in 1870 and the Gazette & Bulletin was established in 1801, since which dates said successor, the Williamsport Sun-Gazette, has been regularly issued and published in the County of Lycoming aforesaid, and that a copy of the printed notice is attached hereto exactly as the same was printed and published in the regular editions of said Williamsport Sun-Gazette on the following dates, viz:

June 8, 2014

Affiant further deposes that he is an officer daily authorized by the Sun-Gazette Company, publisher of the Williamsport Sun-Gazette, to verify the foregoing statement under oath and also declares that affiant is not interested in the subject matter of the aforesaid notice of publication, and that all the allegations in the foregoing statement as to time, place and character of publication are true.

LEGAL NOTICES

PENNSYLVANIA
PUBLIC UTILITY
COMMISSION
NOTICE

Application of World Energy Solutions, Inc. For Approval To Offer, Render, Furnish Natural Gas Supply Services as a Marketer/Broker or Aggregator Engaged in The Business Of Supplying Natural Gas Supply Services, To The Public In The Commonwealth Of Pennsylvania.

World Energy Solutions, Inc. intends to file in June of 2014 an application with the Pennsylvania Public Utility Commission ("PUC") for a license to provide natural gas supply services as (1) a supplier of natural gas, (2) a broker/marketer engaged in the business of supplying natural gas, and (3) an aggregator engaged in the business of

LEGAL NOTICES

providing natural gas supply services. World Energy Solutions, Inc. proposes to sell natural gas and related services throughout all of Pennsylvania under the provisions of the new Natural Gas Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of World Energy Solutions, Inc. may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to World Energy Solutions, Inc.'s attorney at the address listed below.

By and through Counsel:
Cheryl Parker, Esq.

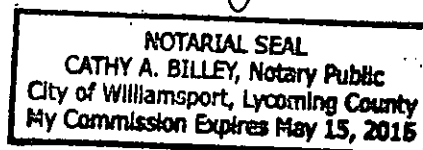
LEGAL NOTICES

World Energy
Solutions, Inc.
100 Front Street,
20th Floor
Worcester, MA 01608
508-459-8100
508-459-8101

SUN-GAZETTE COMPANY

in to and subscribed before me

9th day of June 2014
Cathy A. Billey
Notary Public



STATEMENT OF ADVERTISING COSTS

To the Sun-Gazette Company, Dr.:

For publishing the notice attached

hereto on the above state dates.....\$ 760.88

Probated same.....\$

Total.....\$ 760.88

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

THE SUN-GAZETTE COMPANY hereby acknowledges receipt of the aforesaid advertising and publication costs and certifies that the same have been fully paid.

SUN-GAZETTE COMPANY

BY Bernard A. Oravec

RECEIVED

JUN 25 2014

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

APPENDIX L

From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (717) 783-5048

BILL SENDER

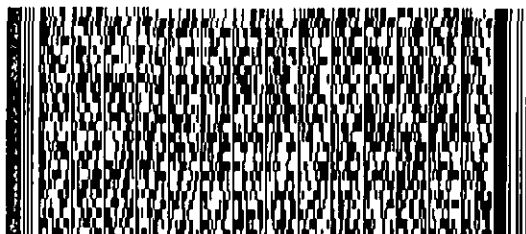
Irwin A. Popowsky
 Office of Consumer Advocate
 5 TH FLR FORUM PLACE 555 WALNUT ST

HARRISBURG, PA 17120

Ref # Signature required
 Invoice #
 PO #
 Dept #

THU - 26 JUN AA
 STANDARD OVERNIGHT

TRK# 7704 1513 4456
 0201



EN MDTA

17120
 PA-US
 MDT



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From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (717) 783-2525

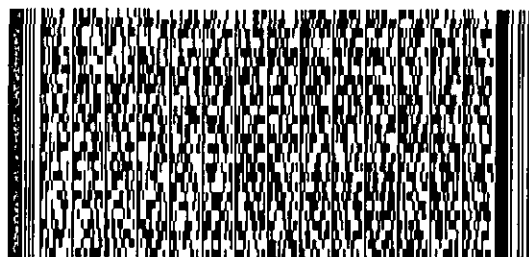
BILL SENDER

William R. Lloyd, Jr.
 Small Business Advocate
 Commerce Building, Suite 1102
 300 North Second Street
 HARRISBURG, PA 17101

Ref # No signature required
 Invoice #
 PO #
 Dept #

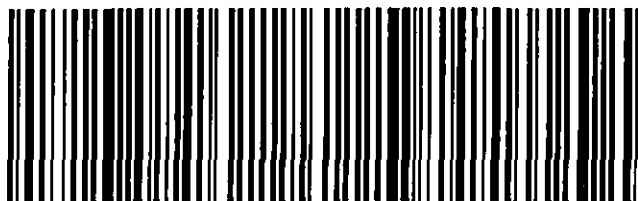
THU - 26 JUN AA
 STANDARD OVERNIGHT

TRK# 7704 1517 3730
 0201



EN MDTA

17101
 PA-US
 MDT



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From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (717) 787-3391

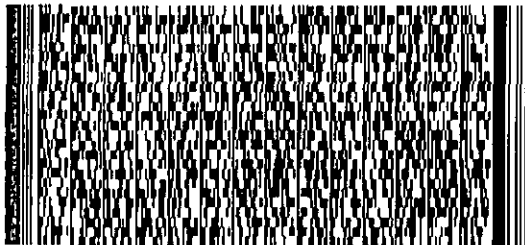
BILL SENDER

Office of the Attorney General
 Bureau of Consumer Protection
 Strawberry Square
 14th Floor
 HARRISBURG, PA 17120

Ref # No signature required
 Invoice #
 PO #
 Dept #

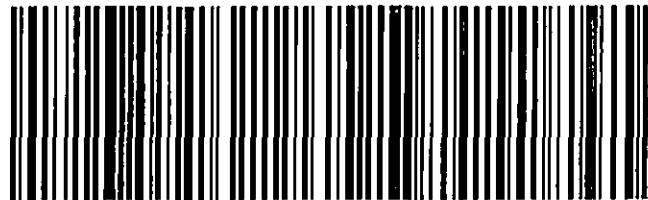
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From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (717) 873-6277

BILL SENDER

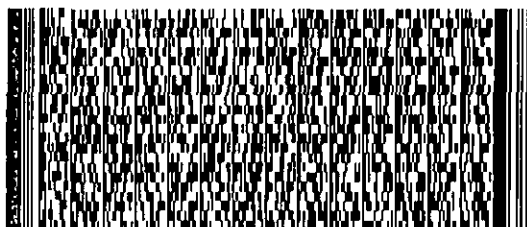
Department of Revenue
 Commonwealth of Pennsylvania
 BUREAU OF COMPLIANCE

HARRISBURG, PA 17128

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TRK# 7704 1523 5400
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From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (570) 888-9664

BILL SENDER

Robert Crocker
Valley Energy, Inc.
523 South Keystone Avenue

Sayre, PA 18840

Ref # No signature required
 Invoice #
 PO #
 Dept #

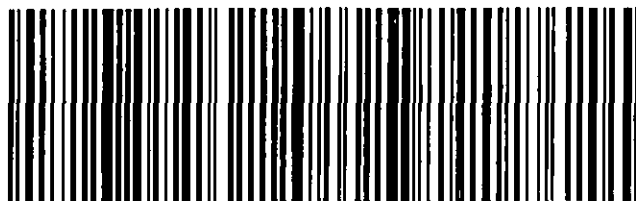
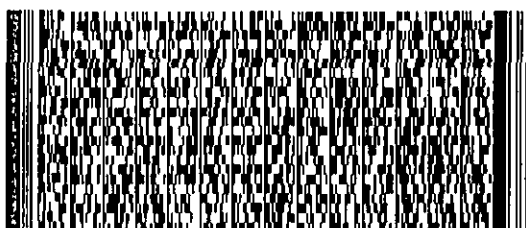
THU - 26 JUN AA
 STANDARD OVERNIGHT

TRK# 7704 1528 1064

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From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/INET3490

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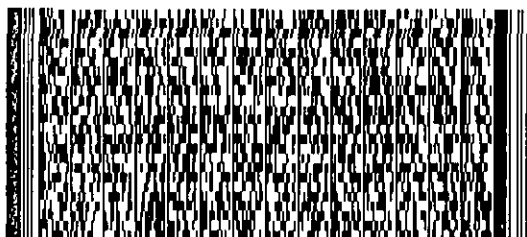
SHIP TO: (610) 796-3520
Dave Lahoff
UGI Central Penn
2525 North 12th street
Suite 360
READING, PA 19612

BILL SENDER

Ref # No signature required
 Invoice #
 PO #
 Dept #

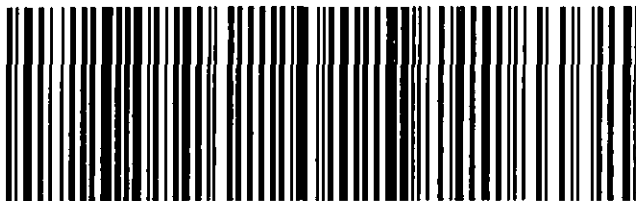
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TRK# 7704 1529 6674
 0201



EQ RDGA

19612
 PA-US
 ABE



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From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (412) 208-6528
Lynda Petrichevich
Peoples TWP, LLC
375 North Shore Drive
Suite 600
PITTSBURGH, PA 15212

BILL SENDER

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 PO #
 Dept #

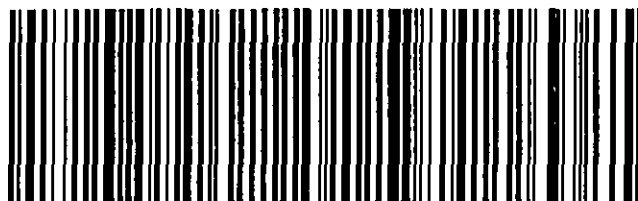
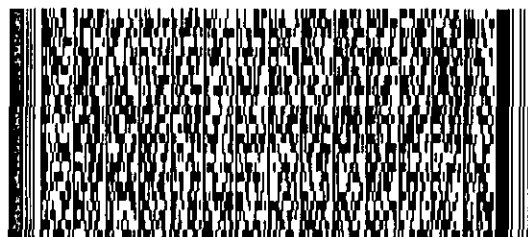
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TRK# 7704 1531 7698

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NC AGCA

15212
 PA-US
 PIT



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From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
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Delivery Address Bar Code



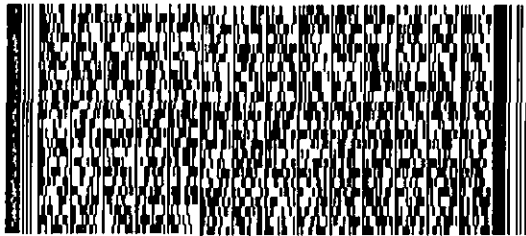
SHIP TO: (610) 796-3520
Dave Lahoff
 UGI Penn Natural
 2525 North 12th Street
 Suite 360
 READING, PA 19612

BILL SENDER

Ref # No signature required
 Invoice #
 PO #
 Dept #

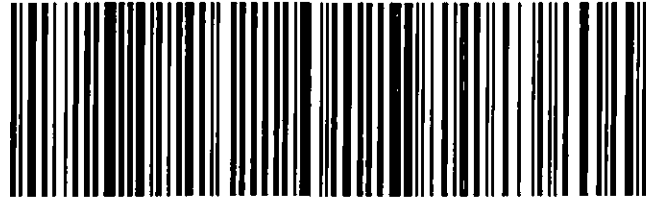
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TRK# 7704 1533 6763
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EQ RDGA

19612
 PA-US
 ABE



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 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
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 CAD: 3246403/INET3490

Delivery Address Bar Code



SHIP TO: (215) 841-6452

BILL SENDER

Carlos Thillet
PECO
2301 Market Street S9-2

PHILADELPHIA, PA 19103

Ref # No signature required
 Invoice #
 PO #
 Dept #

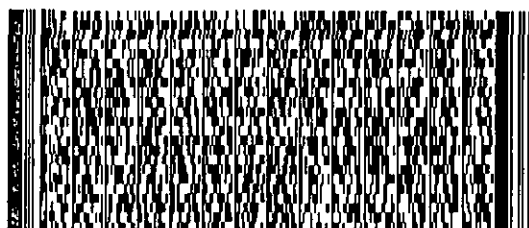
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TRK# 7704 1536 0253

0201

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19103
 PA-US
 PHL



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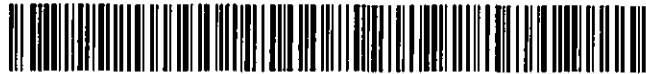
From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (215) 684-6899

BILL SENDER

Douglas Moser
Philadelphia Gas Works
800 West Montgomery Avenue

PHILADELPHIA, PA 19122

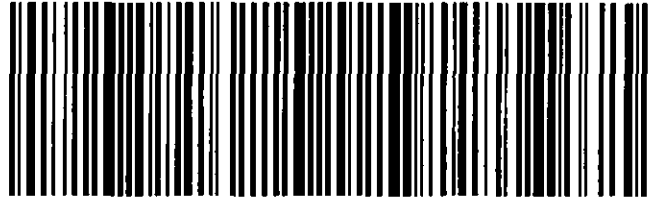
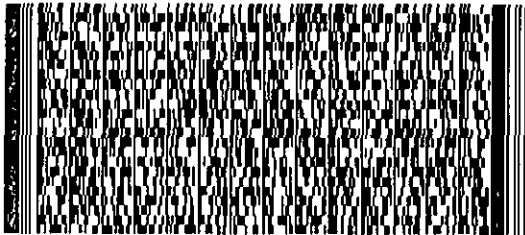
Ref # No signature required
 Invoice #
 PO #
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THU - 26 JUN AA
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TRK# 7704 1537 8954
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 PA-US
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 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (716) 857-7483

BILL SENDER

David Wolford
 National Fuel Gas Distribution Corp
 6363 Main Street

WILLIAMSVILLE, NY 14221

Ref # No signature required
 Invoice #
 PO #
 Dept #

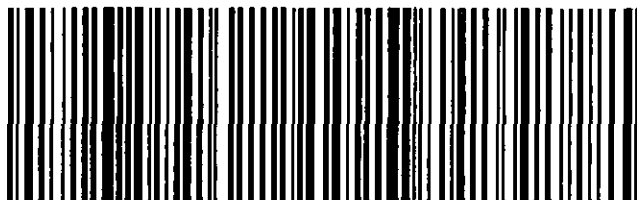
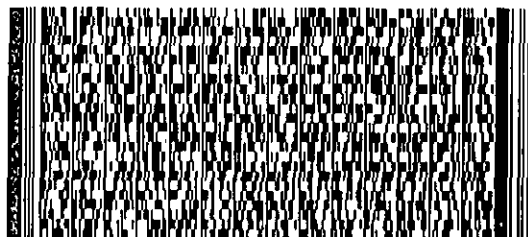
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From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (412) 208-6528

BILL SENDER

Lynda Petrichevich
 Peoples Natural Gas Company, LLC
 375 North Shore Drive
 Suite 600
 PITTSBURGH, PA 15212

Ref # No signature required
 Invoice #
 PO #
 Dept #

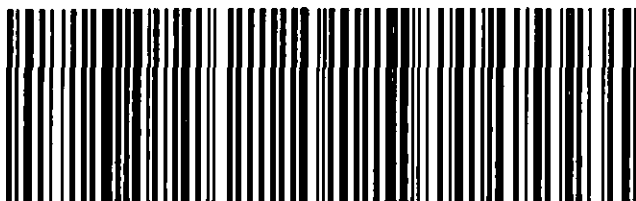
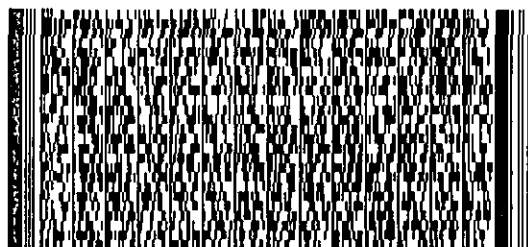
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 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/INET3490

Delivery Address Bar Code



SHIP TO: (610) 796-3520

BILL SENDER

Dave Lahoff
UGI
2525 North 12th Street
Suite 360
READING, PA 19612

Ref # No signature required
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 PO #
 Dept #

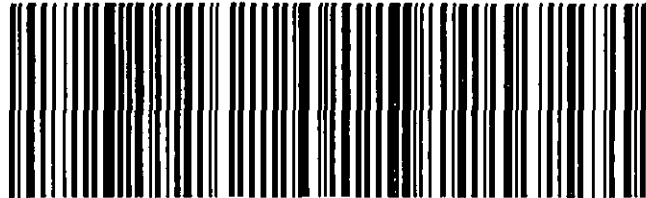
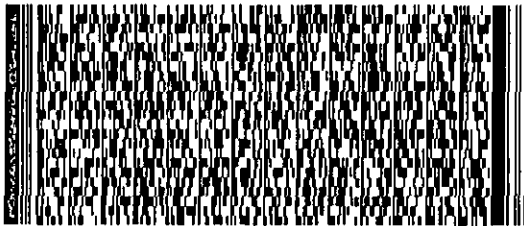
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TRK# 7704 1543 7020

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 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



Ship Date: 25JUN14
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SHIP TO: (412) 208-6528

BILL SENDER

Lynda Petrichevich
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 375 North Shore Drive
 Suite 600
 PITTSBURGH, PA 15212

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 STANDARD OVERNIGHT

TRK# 7704 1545 4673

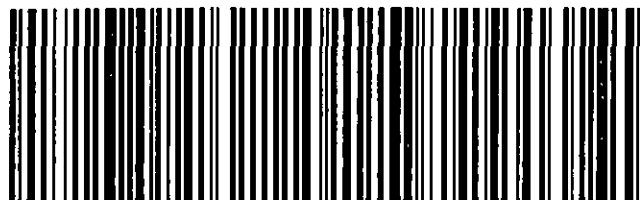
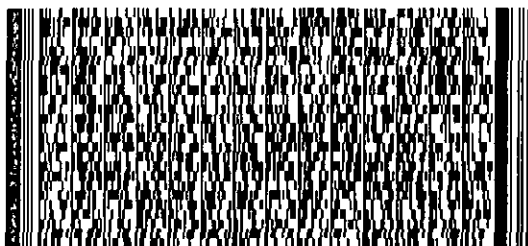
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 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



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 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

Delivery Address Bar Code



SHIP TO: (614) 460-4996

BILL SENDER

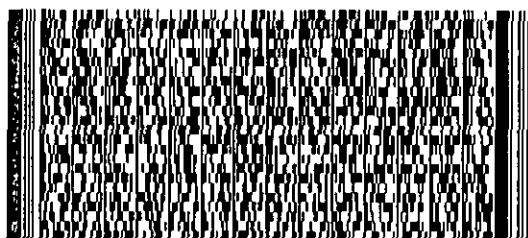
Thomas Heckathorn
 Columbia Gas of Pennsylvania, Inc.
 200 Civic Center Drive

COLUMBUS, OH 43215

Ref # No signature required
 Invoice #
 PO #
 Dept #

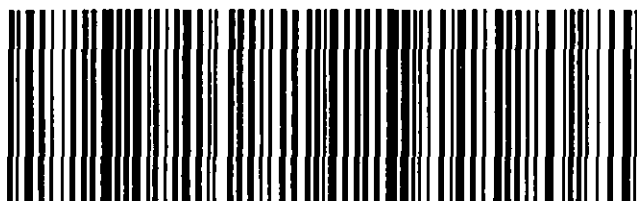
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From: (508) 459-8173
 Cheryl Parker
 World Energy Solutions
 100 Front Street
 20th Floor
 WORCESTER, MA 01608

Origin ID: FICA



J14101402070326

Ship Date: 25JUN14
 ActWgt: 1.0 LB
 CAD: 3246403/NET3490

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BILL SENDER

Secretary of the Commission
 Pennsylvania Public Utility Comm.
 Keystone Building
 400 North Street 2nd Floor
 HARRISBURG, PA 17120

Ref # No signature required
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JUN 25 2014

PA PUBLIC UTILITY COMMISSION
 SECRETARY'S BUREAU

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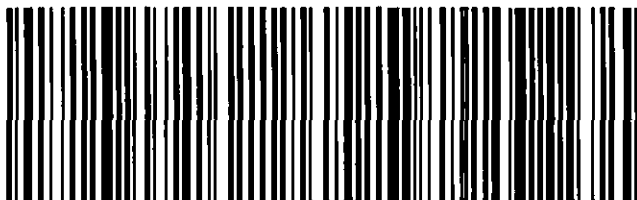
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