



July 26, 2013

Mr. Dominic Parrella
President & CEO
PUC Distribution Inc.
550 Second Line East, P.O. Box 9000
Sault Ste. Marie, ON
P6A 6P2

Re: Letter of Intent

Dear Dominic:

This letter (this "**Letter**") and the term sheet attached hereto as Exhibit A (the "**Term Sheet**") set forth the principal business terms pursuant to which Energizing, LLC a Delaware limited liability company ("**ECo**"), and PUC Distribution Inc., a corporation incorporated under the provincial laws of Ontario ("**PUC**"), propose to engage in a series of transactions to design, build, finance, maintain and operate a so-called "utility distribution microgrid" project in Sault Ste. Marie, Ontario Canada (the "**Transactions**"). ECo and PUC are together referred to herein as the "**Parties**." Concurrently with the execution of this Letter, the Parties are also entering into a Confidentiality Agreement (the "**Confidentiality Agreement**"). The Transactions are subject to further due diligence by the parties and the negotiation of definitive agreements covering the terms and conditions set forth herein and in the Term Sheet and containing other provisions customary for transactions of the nature contemplated by this Letter, including representations, warranties, covenants and conditions (the "**Definitive Agreements**").

1. The Transactions. Pursuant to the terms and conditions set forth in this Letter and the Term Sheet, ECo (or, at the option of ECo, an affiliate of ECo) and PUC are considering engaging in a series of transactions to design, build, finance, maintain and operate a so-called "utility distribution microgrid" in Sault Ste. Marie, Ontario Canada.

2. No Breach; Exclusive Negotiations.

a. No Breach of Obligations to Third Parties. Each Party hereby represents and warrants that entering into this Letter will not breach any obligation of such Party to any third party.

b. Definitions.

i. "Exclusivity Period" means the period beginning on the date of this Letter and ending on the July 26, 2014.

ii. "Representatives" means all officers, directors, managers, employees, members, shareholders, affiliates, agents, financial advisors and other representatives.

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iii. **“Third-Party Transaction”** means any transaction that would interfere with or be inconsistent with the Transactions.

c. PUC acknowledges that ECo has incurred significant time and expense exploring the possibility of pursuing the Project, and that ECo will continue doing so as a result of the Parties entering into this Letter. In consideration of the foregoing, during the Exclusivity Period, neither PUC nor any of its Representatives shall, directly or indirectly, solicit, initiate, entertain or encourage any proposals or offers from any third party relating to a Third-Party Transaction. Furthermore, during the Exclusivity Period, neither PUC nor any of its Representatives shall participate in any discussions or negotiations regarding, or furnish to any person or entity any information with respect to, or otherwise cooperate with, facilitate or encourage any effort or attempt by any person or entity to do or seek, a Third-Party Transaction.

3. **Intellectual Property.** Nothing in this Letter is intended, nor shall it be construed, to constitute a grant by either Party of any of such Party's pre-existing intellectual property. Furthermore, insofar as the Parties are concerned, as between the Parties, each Party shall own all right, title and interest to any intellectual property created or developed by it in connection with the potential Transactions or the pursuit thereof (**“Subject Intellectual Property”**). If the Parties jointly create or develop any Subject Intellectual Property, then the Parties shall jointly own such Subject Intellectual Property in proportion to their respective inventorship or authorship thereof, as applicable. If a Party conceives or makes any Subject Intellectual property during the Exclusivity Period, then it shall notify the other Party thereof in writing. If any jointly-owned Subject Intellectual Property is commercialized, then the Parties shall negotiate the division of net royalties therefrom based upon their respective inventorship or authorship thereof, as applicable.

4. **Effect and Enforceability of Letter; Entire Agreement.**

a. This Letter and the Term Sheet constitute merely an outline of the principal intended terms of the Transactions to facilitate the negotiation and preparation of the Definitive Agreements. Nothing in this Letter or the Term Sheet is intended to be or shall constitute a binding and legally enforceable agreement of the Parties to engage in or pursue the Transactions, including, without limitation, an agreement to negotiate in good faith, and no such agreement shall exist unless and until the Parties enter into the Definitive Agreements. Each Party covenants not to assert a contrary interpretation in any legal proceeding or otherwise.

b. Each Party acknowledges that any Party may, by providing prompt written notice to the other Party, notify the other Party of its decision to abandon negotiations toward the Definitive Agreements at any time for any reason or for no reason, in such Party's sole and absolute discretion, notwithstanding anything in this Letter, the Term Sheet or any negotiations or understanding prior to the execution of the Definitive Agreements that may be interpreted to

the contrary, and notwithstanding any implied limitation on such discretion that may be imposed by applicable law.

c. This Letter and the Confidentiality Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof. This Letter and the Confidentiality Agreement supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the Parties with respect to the subject matter hereof and thereof. There are no representations, warranties, covenants or other agreements between the Parties in connection with the subject matter hereof except as set forth specifically herein or therein.

5. Governing Law; Jurisdiction and Venue. This Letter, the Term Sheet and the Definitive Agreements shall be governed by and construed in accordance with the procedural and substantive laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to any laws regarding choice of law. The Parties agree to submit to the exclusive jurisdiction of, and agree that venue and forum are proper in, courts in the Ontario, with respect to any claims or controversies arising out of or relating to this Letter. Each Party agrees that service of any process, summons, notice or document addressed to its address set forth below shall be deemed to constitute effective service thereof for purposes of any action, suit or proceeding arising out of or relating to this Letter:

If to ECo:

ECo
120 N Topanga Canyon Blvd. Suite 219
Topanga, California 90290
USA
Attention: Glen Martin
Facsimile: +1 (323) 395-0203
Email: glen@energizingco.com

If to PUC:

PUC Distribution Inc.
500 Second Line East, P.O. Box 9000
Sault Ste. Marie, Ontario, P6A 6P2
Canada
Attention: Dominic Parrella
Facsimile: +1 (705) 759-6510
Email: dominic.parrella@ssmpuc.com

6. Injunctive Relief; Attorneys' Fees. In addition to all other remedies available under contract or at law, each Party shall be entitled to equitable relief, including injunction and specific performance, as a remedy for any breach or threatened breach of this Letter by the other Party. Such equitable remedies shall not be deemed to be the exclusive remedies for a

breach by a Party of this Letter but shall be in addition to all other remedies available at law or equity to the non-breaching Party. The Parties agree that no Party shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Paragraph 6, and each Party waives any rights they may have to require the other Party to obtain, furnish or post any such bond or similar instrument. In the event of litigation relating to this Letter, then the non-prevailing Party shall pay to the prevailing Party the reasonable legal fees and disbursements incurred in connection with litigation relating thereto, including any appeal therefrom.

7. Fees and Expenses. Whether or not the Transactions are consummated, each Party shall bear its own fees and expenses in connection with the preparation for and consummation of the Transactions, including, without limitation, all legal, accounting, investment banking, consulting, broker's and finder's fees.

8. Severability; Construction. Each provision and term of this Letter shall be interpreted to be effective and valid. In the event that any provision or term of this Letter is held to be prohibited or invalid, then such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provision or term or the remaining provisions or terms of this Letter. The Parties hereto acknowledge and agree that they have participated jointly in the negotiation and drafting of this Letter and that each of the Parties has had the opportunity to have this Letter reviewed by its legal counsel. The rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be applied to the interpretation of this Letter. In the event an ambiguity or question of intent or interpretation arises, this Letter shall be construed as if drafted jointly by the Parties. No inference in favor of, or against, any Party shall be drawn from the fact that one Party has drafted any portion hereof.

9. Amendments; Waivers. This Letter may not be modified, amended, altered or supplemented except by the execution and delivery of a written agreement by the Parties. The failure in any one or more instances of a Party to insist upon performance of any of the terms, covenants or conditions of this Letter or to exercise any right or privilege conferred in this Letter, or the waiver by any Party of any breach of any of the terms, covenants or conditions of this Letter, shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights or privileges, but the terms, covenants or conditions of this Letter shall continue and remain in full force and effect as if no such forbearance or waiver had occurred. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving Party.

10. English Language. The Parties confirm that it is their wish that this Letter as well as all other documents relating to this Letter, including notices, be drawn up in English only. (Les parties aux présentes confirment que c'est leur volonté que la présente convention de même que tous les documents, y compris les avis, s'y rattachant, soient rédigés en anglais seulement.)

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11. Counterparts. This Letter may be executed by facsimile and/or in one or more counterparts, each of which shall be deemed to be an original copy of this Letter and both of which, when taken together, shall be deemed to constitute one and the same agreement.


Please signify that the foregoing correctly reflects our mutual intentions as a basis for proceeding toward negotiation of the Definitive Agreements by executing and returning to us a copy of this Letter on or before 5 P.M., Eastern Daylight Time, on July 31, 2013.

Warmest regards,



Glen Martin
CEO
Energizing, LLC

AGREED AND ACKNOWLEDGED:
PUC DISTRIBUTION INC.

By: 
Dominic Parrella *July 22 / 13*
Its: President & CEO

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EXHIBIT A
TERM SHEET

This term sheet (this “**Term Sheet**”) constitutes merely an outline of the intended principal terms of certain proposed transactions between Energizing, LLC (“**ECo**”) and PUC Distribution Inc. (“**PUC**”), as contemplated by the letter of intent to which this Term Sheet is attached is subject (the “**Letter of Intent**”).

Project	A utility distribution microgrid (UDM) project in Sault Ste. Marie, Ontario (the “ Project ”).
ProjectCo	ECo would establish a special purpose entity (“ ProjectCo ”) to procure the services, technologies and financing necessary for designing, building, financing, operating and maintaining the Project. All such services and technologies would be developed and managed to comply with applicable environmental, safety and security regulations, and PUC’s specifications and procedures for such compliance.
Core Project Components	The core Project components would include, without limitation: a network operations centre, an energy management system, a distribution management system, model-based forecasting, cyber-security systems and protocols and one or more energy storage systems.
DBFMOT Contract	The primary definitive agreement would be a design, build, finance, maintain, operate and transfer contract (the “ DBFMOT Contract ”) between ProjectCo and PUC. This would enable PUC to have an efficient, single point of contact even as ProjectCo engages multiple other companies to provide “best of breed” services and technologies.
Financing	In consultation with PUC, ProjectCo would arrange the financing to fund all costs required to design, build, operate and maintain of the Project.
Project Term	To commence upon signing of the DBFMOT Contract, and continue through an anticipated 2-year construction period, followed by a 15 to 25-year term (commencing upon the date of anticipated Commercial Operation).
Project Ownership	The Project initially would be owned by ProjectCo, but PUC would have one or more options to cause a smooth transfer of ownership to PUC upon pre-defined terms.
Availability Payments	Following Commercial Operation, PUC will make monthly availability payments to ProjectCo at pre-defined rates, which will include pre-defined deductions if ProjectCo fails to meet pre-defined efficiency, availability and performance standards.
Project Operations and Maintenance	ProjectCo and PUC would mutually determine the appropriate allocation of responsibilities for Project operations and maintenance, taking into account applicable PUC requirements.
Project Availability and Maintenance	ProjectCo would be responsible for ensuring that the Project’s performance and availability meets the mutually-agreed operating protocols (risk transfer).

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<i>Electricity Distribution Rate Application Support</i>	In support of any PUC Electricity Distribution Rate Applications to the regulatory board, ProjectCo would provide ongoing support in the form of Project performance reports detailing reductions in consumer electricity consumption, increases in electricity distributor operational efficiencies, avoided infrastructure investments, reductions in outage periods, improvements in outage response times, and other quantifiable benefits.
<i>Changes in Circumstances; Termination</i>	Provision shall be made in the DBFMOT Contract for Compensation Events, Relieve Events, Step-in and Substitution, Early Termination, and Default by ProjectCo; and Early Termination, Force Majeure and Optional Termination or Default by PUC.