ADVANCED ENERGY CAPITAL ("AEC")

AEC Consulting Services:
Helping Marketers Become Retail Energy Providers

This document is intended for information purposes only.
Advanced Energy Capital ("AEC") is a specialty finance company dedicated to serving the energy remarketing industry. Our mission has been to provide clients with cost efficient finance solutions.

AEC has a strategic alliance with a National Energy Wholesaler via which it provides turn-key credit and supply solutions for Retail Energy Providers ("REPs"). In addition, AEC offers REPs many alternative financing solutions which include an Incubator Program for startups, a Cash Advance Program for growth, and the ability to factor Non-POR (purchase of receivables by local Utilities) states and territories – essentially synthesizing a POR structure. AEC also offers term loans and advises REPs regarding mergers and acquisitions. Our goal is to assist the industry in its growth and expansion. AEC’s management team has financed over $300 million in energy sales and has made or managed over $450 million in direct loans.

AEC has developed and implemented a complete protocol of credit products, operational controls and monitoring tools. AEC provides the many services to the energy industry including a National Energy Wholesaler Credit and Supply Program, Cash Advance Programs, Factoring and Term Loans.

AEC works with Clear Choice Energy which is an “incubator” to smaller REPs. CCE gives small REPs access to operational services and energy supply thereby reducing capital needs.

AEC Consulting Services is dedicated exclusively to assisting companies become ESCOs and stepping them through every phase of the process.
Energy Deregulation: Reshaping a Market

• Retail Resellers exploiting a natural market

• Additional States and utility territories likely to deregulate and open their markets

• Energy Reselling is experiencing exponential growth

• Current market participants are growing as fast as 30% compounded growth per year and more

• Significant market share still available to Retail Energy Providers in key states (NY, PA, NJ, CT, OH, IL, MI and others)
The Energy Remarketing Industry

- $10 billion+ deregulated Natural Gas market and growing
- Power market is a multiple of the Natural Gas market
- Majority of residential customers in the Northeast still with utilities are available for REPs to convert
- Existing players have experienced triple digit growth
- Retail Electric sales alone (excluding Natural Gas) will reach 16% of the overall US Market, making it one of the 5 largest Electric market worldwide
## Current Deregulated States

<table>
<thead>
<tr>
<th>State</th>
<th>Electricity</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>California</td>
<td>Yes</td>
<td>PC - Partial Choice</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Delaware</td>
<td>Yes</td>
<td>PC - Partial Choice</td>
</tr>
<tr>
<td>Florida</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Georgia</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Illinois</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Indiana</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Iowa</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Maine</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Maryland</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Michigan</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Missouri</td>
<td>No</td>
<td>PC - Partial Choice</td>
</tr>
<tr>
<td>Montana</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Nevada</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>New Jersey</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>New York</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Ohio</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Oregon</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Texas</td>
<td>Yes</td>
<td>PC - Partial Choice</td>
</tr>
<tr>
<td>Virginia</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Washington DC</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>West Virginia</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Wyoming</td>
<td>No</td>
<td>PC - Partial Choice</td>
</tr>
</tbody>
</table>
Start-Up and Business Plan Development

Before you start up, AEC can provide the following services:

• Help create your business plan, sales projections and marketing plans
• Create a cash-requirements model to help analyze your future credit and capital needs
• Provide a well-planned working capital line of credit for cash needs
• Provide a supply agreement so that you can buy natural gas and/or power without paying in advance
• Assist in your capital raising efforts by helping to produce materials and presentations, and helping you execute those presentations in person with prospective investors.
AEC can assist and guide you to the firms that can:

- Assist with the application and approval process at the states’ Public Utility Commissions (“PUCs”)
- Assist with the application and approval process at the respective Independent System Operators and Regional Transmission Organizations (“ISO/RTO”)
- Monitor Commodity Futures Trading Commission (“CFTC”) and other agencies’ rules and requirements for you.
- Provide guidance in applying for licensing from Federal Energy Regulatory Commission (“FERC”) and complying with all applicable rules, regulations and requirements (on an upfront and ongoing basis)
- Work with you upfront and on an ongoing basis to develop internal policies and procedures to create a culture of compliance
- Source bonding providers, where needed
- Provide sound legal advice
- Help you with the application and approval process at the various Independent System Operators
- Set up your EDI system and back office software
- Perform the scheduling, nomination and capacity management for natural gas
- Perform the forecasting, scheduling and settlement of power
- Provide marketing and customer acquisition as well as customer retention programs for you
- Design and implement your website
After your energy business is up and running AEC can meet quarterly to discuss:

- The business results (financials) vs. projection
- Growth plans
- Merger opportunities
- Marketing plans
- “Synthetic P.O.R.”
- Energy supply
- Cash and management plans and controls
- Cash Advance Programs
Having the right product offerings at the right prices are important but just as important is selecting the correct channel strategy to bring those products to market. AEC can help with these critical steps by offering a variety of services including:

• Working with you to determine the appropriate channel strategy
• Helping you decide whether to employ a single channel utilizing a combination of channels - MLM, Broker Network / Affinity Network, Direct Sales, Call Center Sales, and the timing of the latter
• Based upon the channel strategy, we will advise you on an appropriate compensation plan with an eye towards ensuring that the plan incent the channel properly.
Once you have created your product mix and chosen your marketing channels (a process that AEC can assist with), having the right systems to facilitate customer and broker enrollments, track enrollments and commissions, provide timely information on number of customers and usage by product type by State etc., are key to successfully growing your business. Some key elements that need attention and decision-making include:

**Customer Online Enrollment**
Web site enrollments should be enabled and automatically transferred and integrated directly into the EDI providers system.

**Broker Enrollment and Setup**
Brokers should also be able to enroll with you on-line.

**Third Party Verification**
Depending on the channels you are utilizing, Third Party Verification (TPV) may be a requirement. TPV eliminates slamming which the PUCs frown upon (if found guilty of slamming, fines can be significant and, in extreme cases Suppliers can lose their license).
Scripting
If you are utilizing call centers as one of your channels then scripts will need to be written for each market and utility where you are offering service. Attention must be paid to ensure that the correct message is being delivered and that all State regulations are being followed. Failure to do this could result in PUC complaints, potential fines and in extreme cases loss of license.

Electric Demand Forecasting, Hedging, Scheduling, and Risk Management
A competitive energy retailer places important demands on its people to perform in a difficult operating environment. Moreover, individuals charged with managing the supply needs of the company must have multifaceted experience and a diverse set of competencies to be effective and successfully prosecute the business plan. These skills and experience include more than just buying supply and scheduling with the ISO. They also encompass such things as performing weather regressions, developing scenarios for planning and portfolio stress testing, analyzing usage and EDC/ISO usage allocations, and reading rate schedules and tariffs.

Electric Scheduling Service
Scheduling of electric service is a basic need for a retail energy services company. Effective scheduling begins with a forecasting solution that can be relied upon to generate load curves based on normal weather. The forecasting solution should use actual forecasted weather characteristics to develop its schedules for submission to the ISOs. One of the key difficulties in this area is making sure that the meter counts used by the ISO are synchronized with the enrollment counts in the CIS.
Long-term Demand Forecasting Service
Long-term demand forecasting is vital for a competitive supplier to determine their load obligations to the ISOs and for long-term planning purposes. Many retailers do not take the time to assess their long-term load obligation, instead taking a very short-term approach to the business. While this may work just fine in a non-volatile, steady price environment, if any considerable volatility enters the market it will magnify the inherent problems with such a strategy, and lead to significant losses or business failure.

Long-term forecasting needs to be applied to both capacity and energy, and be parsed between books of business, portfolios, congestion zones, EDC markets, and products. It is especially important to generate and use long-term forecasts for all products in the sales portfolio that have a fixed-price element. Retailers in the “Margin” business need to constantly protect their portfolio by matching fixed price sales obligations with fixed price purchase commitments to minimize its exposure to adverse price movements.

Effective long-term forecasting includes maintaining the assortment of load proxy curves available for each market territory and rate. Historical weather are necessary to analyze historical usage information and for performing analysis to develop forecasting algorithms.
A competitive ESCO or Retail Energy Provider must be able to have a pricing methodology that takes into consideration a wide array of cost information. For example, some or all of the following types of costs need to be recovered in retail prices:

- Capacity (ICAP and/or UCAP)
- Peak and off-peak energy supply
- Ancillary services
- Line losses and unaccounted for energy (UFE)
- Load shaping
- Renewable energy credits and/or certificates
- Supplier and scheduling fees
- Supply and ISO collateral costs
AEC can assist you in screening and selecting a service provider that can provide the operations and management of your pools for the utility service area(s) you operate in. Below is a list of some of the services that will be needed:

- Retrieve the local distribution companies monthly demand data
- Retrieve / Execute the monthly interstate / intrastate pipeline capacity releases
- Calculate the daily and monthly quantities needed per each local distribution company along the specific pipelines
- Consult on various pricing strategies in order to ensure lowest possible delivered cost
- Provide daily / monthly nominations and / or balancing per the rules and regulations set by the various interstate / intrastate pipelines
- Provide daily / monthly nominations and / or balancing per the rules and regulations set by the various local distribution companies
- Purchase / Sell additional supply, storage, and / or pipeline capacity to ensure daily / monthly utility requirements are fulfilled
- Provide all necessary paperwork including forms and agreements that maybe required by pipelines, aggregation pools, local distribution companies, suppliers, etc
- Reconcile all daily / monthly volumes provided by suppliers, pipelines, aggregation pools, local distribution companies, etc.
- Provide monthly reallocation of volumes if required by suppliers, pipelines, aggregation pools, local distribution companies, etc.
- Provide monthly pool, city gate, and pipeline cost calculations to ensure that all costs are captured and you are aware of the various components included in each of your monthly invoices by the various parties
- Calculate and monitor storage volume and ratchet levels as provided by the applicable local distribution companies
Growth: The Next Steps

Expansion Strategy & Licensing
AEC can help you develop and execute a market expansion strategy that can include growing your footprint into other States, enhancing your product offerings to meet the need of the new market, determining the appropriate channel development options for more efficient and effective market penetration and hedging strategies based upon your entire book of business.

Licensing Process
Acquiring a license by the State can be a daunting and time consuming process. AEC can assist with this process saving you time and money by helping to locate and hire the most knowledgeable and experienced professionals. Depending on the State, some of the requirements could include:

- Filing the application with the State
- Obtaining PUC & Utility Bonds
- Completing EDI testing
- Joining an ISO
- Registering with FERC (Federal Energy Regulatory Committee)
- Obtaining financing
- Developing the technical requirements
Compliance fuels the market’s perception of your company as a reputable, high-quality supplier, but it can be a real challenge to understand the various laws, regulations and rules governing your business. Non-compliance could expose your company to significant fines and in extreme cases revocation of your license. Some of the areas where we can point you in the right direction include:

**FERC Filings**
The Federal Energy Regulatory Commission regulates the country's natural gas industry, hydroelectric projects, oil pipelines, and wholesale rates for electricity. FERC is responsible for overseeing a $250 billion electricity industry, which puts the agency in charge of regulating pricing for about 73 percent of the electricity used in the United States. FERC filing may be a requirement.
PUC reporting requirements
PUC filing and reporting requirements can be an arduous task. Some of the requirements include:

- Registration and notice of intent requirements
- Initial Registration
- Renewal Registration
- Reporting and Financial Requirements
- Consumer protection requirements
- Provision of Information to Customers
- Telephone Solicitation of Customers
- In-Person Solicitation of
- Transfer of Services by Competitive Electric Power Suppliers
- Marketing materials
- Bill Disclosure Information
- Notice of Termination of Service
- Release of Confidential Customer Information
- Enforcement provisions and procedures
- Sanctions for Failure to Comply
- Investigation by the Commission by Reason of Consumer Complaint
The Exit: Selling Your REP

Price per RCE (Retail Customer Equivalent)

• Based on nine other comparable transactions in the past five years, we found a range within this metric from $139.29/RCE - $2,000.00/RCE.
• Overall the median price was $324.07/RCE and the approximate average price was $599.46/RCE.
• Also, based on available data it would appear that our proposed acquisition of PREA is priced at a substantial discount to the industry average at $150.00/RCE.

<table>
<thead>
<tr>
<th>Acquirer</th>
<th>Target</th>
<th>Date</th>
<th>Valuation</th>
<th>RCEs</th>
<th>Price / RCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Energy</td>
<td>Vectren Corporation</td>
<td>3-Jan-12</td>
<td>39,000,000</td>
<td>280,000</td>
<td>$139.29</td>
</tr>
<tr>
<td>Direct Energy</td>
<td>First Choice Power</td>
<td>1-Nov-11</td>
<td>270,000,000</td>
<td>220,000</td>
<td>$1,227.27</td>
</tr>
<tr>
<td>Direct Energy</td>
<td>Strategic Energy</td>
<td>2-Apr-08</td>
<td>218,000,000</td>
<td>109,000</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>Direct Energy</td>
<td>Gateway Energy Services Corporation</td>
<td>21-Mar-11</td>
<td>90,000,000</td>
<td>275,000</td>
<td>$327.27</td>
</tr>
<tr>
<td>Just Energy</td>
<td>Hudson Energy Services</td>
<td>19-Apr-10</td>
<td>289,047,000</td>
<td>686,500</td>
<td>$421.04</td>
</tr>
<tr>
<td>Just Energy</td>
<td>Fulcrum Retail Holdings</td>
<td>1-Oct-11</td>
<td>79,400,000</td>
<td>240,000</td>
<td>$330.83</td>
</tr>
<tr>
<td>Constellation Energy</td>
<td>MXenergy</td>
<td>1-Jul-11</td>
<td>175000000</td>
<td>540,000</td>
<td>$324.07</td>
</tr>
<tr>
<td>Universal Energy</td>
<td>Commerce Energy, Inc.</td>
<td>11-Dec-08</td>
<td>26,000,000</td>
<td>170,000</td>
<td>$152.94</td>
</tr>
<tr>
<td>Just Energy</td>
<td>Universal Energy Group</td>
<td>1-Jul-09</td>
<td>240,346,000</td>
<td>430,000</td>
<td>$558.94</td>
</tr>
<tr>
<td>Just Energy Group</td>
<td></td>
<td></td>
<td>1,700,000,000</td>
<td>3,314,000</td>
<td>$512.98</td>
</tr>
</tbody>
</table>

Average - $599.46
AEC Consulting Fee Plans

• All AEC consulting services are billed on an hourly basis.

• There are three hourly/monthly plans from which to choose.

• Consulting hours may be used to assist in the capital raising effort. Consulting hours may also be used to assist in selecting financing providers other than AEC at no extra charge. Please note: this agreement does not cover mergers and acquisitions or capital raises that AEC does with its own capital or that of its investors.