

February 17, 2011

Brian Weisman  
Managing Partner  
Smart Energy Capital, LLC  
300 Drakes Landing, Suite 230  
Greenbrae, CA 94904-3125

Re: Agreement-In-Principle  
Prescott Valley Solar Services Agreement

Dear Brian:

It has come to our mutual attention that Arizona Public Service (APS) is now requiring an agreement between solar service providers and municipalities that are applying for their solar incentive program upon submittal of the application rather than within 30 days of award of incentives, as was the case when we first began negotiations.

Based on the Statement of Qualifications and subsequent presentation to the selection committee, Smart Energy Capital LLC (Smart Energy) was selected to negotiate one or more Solar Service Agreement(s) for the installation of photovoltaic equipment at mutually-agreed upon property locations owned by the Town of Prescott Valley (Town).

Both the Town and Smart Energy understand that the financial feasibility of any Solar Service Agreement (SSA) into which the parties may enter is entirely dependent upon the receipt of certain incentives issued by APS, and that but-for the receipt of those incentives, this project will not go forward.

Both the Town and Smart Energy agree in principle to complete a final agreement to place photovoltaic panels on one or more locations in Prescott Valley, to the extent the overall cost to the Town for the electricity provided costs less than is currently being charged by APS or is expected to be charged by APS during the term of the agreement. In order to help determine what those costs will be under the final agreement, the parties hereby agree to proceed with an application to APS for required incentives. In the event the Town is awarded incentives by APS for installation of photovoltaic energy production (and the incentives are sufficient to make a subsequent agreement meet the Town's long-term cost requirements), they will be assigned to Smart Energy under the final negotiated agreement.

If the above is a correct recital, we ask that you so indicate by signing below. This Agreement-in-Principle constitutes a recital which will be the foundation for a final agreement.

Sincerely,

Harvey Skoog  
Mayor, Town of Prescott Valley

ACKNOWLEDGMENT:

\_\_\_\_\_  
Brian Weisman, Managing Partner  
Smart Energy Capital, LLC

DATE: \_\_\_\_\_