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SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Ocean Thermal Energy Corp

Form: 10-K

Date Filed: 2019-03-22

Corporate Issuer CIK: 827099

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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, 2018
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 No. 033-19411-C

OCEAN THERMAL ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	**20-5081381**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

800 South Queen Street, Lancaster, PA 17603
(Address of principal executive offices, including Zip Code)

717-299-1344
(Registrant's telephone number, including area code)

Securities Registered pursuant to Section 12(b) of the Act: **None**

Securities Registered pursuant to Section 12(g) of the Exchange Act: **None**

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

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

Indicate by check mark 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 check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. **The aggregate market value of the voting and nonvoting common equity held by nonaffiliates computed as of the price at which the common equity was last sold on the last business day of the registrant's most recently completed second fiscal quarter was $11,359,319.**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. **As of March 15, 2019, there were 132,838,944 shares of the registrant's common stock outstanding, par value $0.001.**

DOCUMENTS INCORPORATED BY REFERENCE: **None**

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Throughout this report, unless otherwise designated, the terms “we,” “us,” “our,” and “our company” refer to Ocean Thermal Energy Corporation, a Nevada corporation. All amounts in this report are in U.S. dollars, unless otherwise indicated.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This report may contain certain “forward-looking” statements as such term is defined by the U.S. Securities and Exchange Commission (“SEC”) in its rules, regulations, and releases, which represent our expectations or beliefs, including statements concerning our operations, economic performance, financial condition, growth and acquisition strategies, investments, and future operational plans. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as “may,” “expect,” “believe,” “anticipate,” “intent,” “could,” “estimate,” “might,” “plan,” “predict,” or “continue,” or the negative or other variations thereof or comparable terminology, are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including uncertainty related to acquisitions, governmental regulation, management and maintenance of growth, the operations of the company and its subsidiaries, volatility of stock price, commercial viability of OTEC systems, and any other factors discussed in this and our other filings with the SEC.

These risks, uncertainties, and other factors include those set forth under *“Risk Factors”* of this report. Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as otherwise required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this report or in the documents we incorporate by reference, whether as a result of new information, future events, changed circumstances, or any other reason after the date of this report.

This report contains forward-looking statements, including statements regarding, among other things:

- our ability to continue as a going concern;
- our anticipated needs for working capital
- our ability to secure financing
- the possibility that actual capital costs, operating costs, production, and economic returns may differ significantly from those that we have anticipated;
- the financial model for our proposed projects has not been tested and may not be successful;
- we are subject to changing attitudes about environmental risks;
- our projects will be subject to substantial regulation;
- our efforts to develop OTEC and SWAC/LWAC plants are subject to many financial, technical, managerial, and sales risks that may make us unsuccessful;
- our exposure to political and legal risks in developing or emerging markets where we propose to locate our plants;
- technological advances may render our technologies obsolete; and
- operational problems, natural events or catastrophes, casualty loss, or other events may impair the commercial operation of our projects.

Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including the risks outlined under “ *Risk Factors,*” and matters described in this report generally. In light of these risks and uncertainties, we cannot assure that the forward-looking statements contained in this report will in fact occur. In addition to the information expressly required to be included in this report, we will provide such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

PART I

ITEM 1. BUSINESS

Overview

OCEES International Inc. ("OCEES") was formed under the laws of Hawaii on January 21, 1998. Ocean Thermal Energy Corporation ("OTE Delaware") was a Delaware corporation formed on October 18, 2010. In 2011, OCEES and OTE Delaware entered into a share exchange agreement. The transaction was treated as a merger of entities under common control as 100% of the stockholders of OCEES exchanged their shares for 100% of the outstanding shares of OTE Delaware.

OTE Delaware used its proprietary technology to develop, build, own, and operate renewable energy systems, primarily in the Eastern and Western Caribbean Islands.

On December 17, 2013, Broadband Network Affiliates, Inc. ("BBNA"), a Nevada corporation, changed its state domicile and became a Delaware corporation. On December 23, 2013, BBNA entered into a merger agreement with OTE Delaware, which was effective December 31, 2013. Upon completion of the merger, BBNA changed its name to Ocean Thermal Energy Corporation ("OTE") and the former OTE Delaware ceased to exist. The transaction was treated as a reverse merger and recapitalization by OTE Delaware.

We previously operated under the corporate name of TetriDyn Solutions, Inc. ("TetriDyn"). On March 10, 2017, TetriDyn entered into an Agreement and Plan of Merger (the "Merger Agreement") with OTE. On May 9, 2017, TetriDyn consummated the acquisition of all outstanding equity interests of OTE pursuant to the terms of the Merger Agreement, with a newly created Delaware corporation that is wholly owned by TetriDyn ("TetriDyn Merger Sub"), merging with and into OTE (the "Merger") and OTE continuing as the surviving corporation and a wholly owned subsidiary of TetriDyn. Effective upon the consummation of the Merger (the "Closing"), the OTE stock issued and outstanding or existing immediately prior to the Closing was converted at the Closing into the right to receive newly issued shares of TetriDyn common stock. As a result of the Merger, TetriDyn succeeded to the business and operations of OTE. In connection with the consummation of the Merger and upon the consent of the holders of a majority of the outstanding common shares, TetriDyn filed with the Nevada Secretary of State an amendment to its articles of incorporation changing its name to "Ocean Thermal Energy Corporation."

Our Business

We develop projects for renewable power generation, desalinated water production, and air conditioning using proprietary intellectual property designed and developed by our own experienced oceanographers, engineers, and marine scientists. Plants using our technologies are designed to extract energy from the temperature difference between warm surface ocean water and cold deep seawater at a depth of approximately 3,000 feet. We believe these technologies provide practical solutions to mankind's fundamental needs for sustainable, affordable energy; desalinated water for domestic, agricultural, and aquaculture uses; and cooling, all without the use of fossil fuels.

- Ocean Thermal Electrical Conversion, known in the industry as "OTEC," power plants are designed to produce electricity. In addition, some of the seawater running through an OTEC plant can be desalinated efficiently, producing fresh water for agriculture and human consumption.

- Seawater Air Conditioning, known in its industry as SWAC/LWAC, plants are designed to use cold water from ocean depths to provide air conditioning for large commercial buildings or other facilities. This same technology can also use deep cold water from lakes, known as Lakewater Air Conditioning or LWAC.

Both OTEC and SWAC/LWAC systems can be engineered to produce desalinated water for potable, agricultural, and fish farming/aquaculture uses.

Many applications of technologies based on ocean temperature differences between surface and deep seawater have been developed at the Natural Energy Laboratory of Hawaii Authority, or NELHA, test facility (http://nelha.hawaii.gov), including applications for desalinated seawater, fish-farming, and agriculture. We believe our proprietary advances to existing technologies developed by others in the industry enhance their commercialization for the plants we propose to develop.

We have recruited a scientific and engineering team that includes oceanographers, engineers, and marine scientists who have worked for a variety of organizations since the 1970s on several systems based on extracting the energy from the temperature differences between surface and deep seawater, including projects by NELHA, the Argonne National Laboratory (http://www.anl.gov), and others. Note: All URL addresses in this report are inactive textual references only. Our executive team members have complementary experience in leading engineering and technical companies and projects from start-up to commercialization.

In addition, we expect to use our technology in the development of an OTEC EcoVillage, which should add significant value to our business. We will facilitate the development of sustainable living communities by creating an ecologically sustainable "OTEC EcoVillage" powered by 100% fossil-fuel free electricity. In the development, buildings will be cooled by energy-efficient and chemical-free systems, and water for drinking, aquaculture, and agriculture will be produced onsite. The OTEC EcoVillage project consists, in part, of an OTEC plant that will provide all power and water to about 400 residences, a hotel, and a shopping center, as well as models of sustainable agriculture, food production, and other economic developments. Each sale of luxury EcoVillage residences will support the development of environmentally responsible affordable communities in tropical and subtropical regions of the world currently in development. Our OTEC EcoVillage will be the first development in the world offering a net-zero carbon footprint. This will be our pilot project, launched to prove the viability of OTEC technology to provide affordable renewable energy for entire communities. We believe this project could be highly profitable and generate significant value for our shareholders. The U.S. Virgin Islands' Public Service Commission has granted regulatory approval to us for an OTEC plant, and we have identified the specific plots of land for the site. The first draft of the master plan for the entire development has been completed.

Our Vision

Our vision is to bring these technologies to tropical and subtropical regions of the world where about three billion people live. Our market includes 68 countries and 29 territories with suitable sea depth, shore configuration, and market need; we plan to be the first company in the world to design and build a commercial scale OTEC plant and, to that end, have several projects in the planning stages. Our initial markets and potential projects include several U.S. Department of Defense bases situated in the Asia Pacific and other regions where energy independence is crucial. Currently, we have projects in the planning and development stages in Puerto Rico and the U.S. Virgin Islands.

Our Technology

OTEC is a self-sustaining energy source, with no supplemental power required to generate continuous (24/7) electricity. It works by converting heat from the sun, which has warmed ocean surface water, into electric power, and then completing the process by cooling the plant with cold water from deep in the ocean. The cold water can also be used for very efficient air conditioning and desalinated to produce fresh water. OTEC has worked in test settings where there exists a natural temperature gradient of 20 degrees Celsius or greater in the ocean. We believe OTEC can deliver sustainable electricity in tropical and subtropical regions of the world at rates approximately 20-40% lower than typical costs for electricity produced by fossil fuels in those markets.

Further, we believe that a small, commercial OTEC plant could offer competitive returns even in a market where the cost of electricity is as low as $0.30 per kilowatt-hour, or kWh. For example, the Inter-American Development Bank, an international bank providing development financing in Latin America and the Caribbean, reports that energy prices for hydrocarbon-generated power during 2010-2012 for 15 Caribbean countries averaged $0.33 per kWh, with a high of $0.43 per kWh in Antigua and Barbados. For the U.S. Virgin Islands, the Water and Power Authority of the Virgin Islands reported that as of February 1, 2017, the average price for electricity for commercial customers was nearly $0.40 per kWh. We believe that we have an opportunity to offer base-load energy (the amount of energy required to meet minimum requirements) pricing that is better than our customer's next best alternative in the markets where electricity costs are $0.30 or more per kWh.

Technology advancements have significantly brought the capital costs of OTEC down to make it competitive compared to traditional energy sources. Technology improvements include larger diameter seawater pipes manufactured with improved materials, increased pumping capabilities from OTEC depths, better understanding of material requirements in the deep ocean environment, more experience in deep water pipeline and cable installation techniques, and more accurate sea bottom mapping technology, which is required for platform positioning and pipe installation. The cold-water pipes at a demonstration site in Hawaii have been in continuous operation for more than 20 years, and the technology has improved significantly since the Hawaiian installation.

We estimate that a small OTEC plant that delivers 13 megawatts (MWs) per hour for 30 years would currently cost approximately $350 million. This is the plant size that we typically propose for our initial target markets to meet 20% or more of their current demand for electricity and a large portion of their need for fresh drinking water and agricultural water. OTEC has been proven in test settings at NELHA, where a Department of Energy-sponsored OTEC plant operated successfully throughout the 1990s to produce continuous, affordable electricity from the sea without the use of fossil fuels. Spin-off technologies of desalination and seawater cooling, developed from the OTEC plant at NELHA, have also become economically and technically feasible.

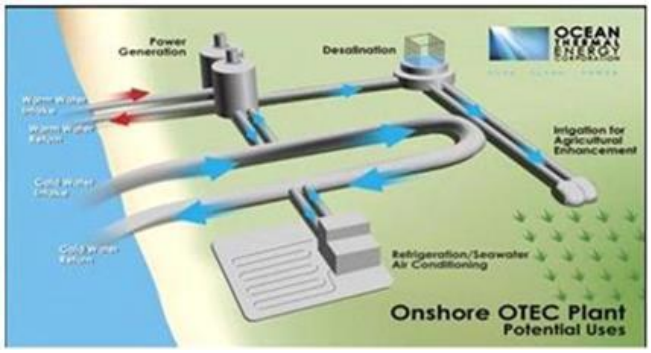
Finally, we believe the decreasing supply and increasing cost of fossil-fuel-based energy has intensified the search for renewable alternatives. We further believe that renewable energy sources, although traditionally more expensive than comparable fossil-fuel plants, have many advantages, including increased national energy security, decreased carbon emissions, and compliance with renewable energy mandates and air quality regulations. We believe these market forces will continue and potentially increase. In remote islands where shipping costs and limited economies of scale substantially increase fossil-fuel-based energy, renewable energy sources may be attractive. Many islands contain strategic military bases with high-energy demands that we believe would greatly benefit from a less expensive, reliable source of energy that is produced locally, such as OTEC.

SWAC/LWAC is a process that uses cold water from locations such as the ocean or deep lakes to provide the cooling capacity to replace traditional electrical chillers in an air conditioning system. SWAC/LWAC applications can reduce the energy consumption of a traditional air-conditioning system by as much as 90%. Even when the capital cost amortization of building a typically sized SWAC/LWAC system providing 9,800 tons of cooling ($140-$150 million) are taken into account, SWAC/LWAC can save the customer approximately 25-40% when compared to conventional systems—we estimate savings can be as high as 50% in locations where air temperatures and electricity costs are high. Cooling systems using seawater or groundwater for large commercial structures are in use at numerous locations developed and operated by others worldwide, including Heathrow Airport, UK; Finland (Google Data Center); Cornell University, NY; Stockholm, Sweden; and the City of Toronto, Canada.

How Our Technology Works

OTEC uses the natural temperature difference between cooler deep ocean water at a depth of approximately 3,000 feet and warmer shallow or surface water to create energy. An OTEC plant project involves installing about 6.0 feet diameter, deep-ocean intake pipes (which can readily be purchased), together with surface water pipes, to bring seawater onshore. OTEC uses a heat pump cycle to generate power. In this application, an array of heat exchangers transfer the energy from the warm ocean surface water as an energy source to vaporize a liquid in a closed loop, driving a turbine, which in turn drives a generator to produce electricity. The cold deep ocean water provides the required temperature to condense vapor back into a liquid, thus completing the thermodynamic cycle, which is constantly and continuously repeated. The working fluid is typically ammonia, as it has a low boiling point. Its high hydrogen density makes ammonia a very promising green energy storage and distribution media. Among practical fuels, ammonia has the highest hydrogen density, including hydrogen itself, in either its low temperature, or cryogenic, and compressed forms. Moreover, since the ammonia molecule is free of carbon atoms (unlike many other practical fuels), combustion of ammonia does not result in any carbon dioxide emissions. The fact that ammonia is already a widely produced and used commodity with well-established distribution and handling procedures allows for its use as an alternative fuel. This same general principle is used in steam turbines, internal combustion engines, and, in reverse, refrigerators. Rather than using heat energy from the burning of fossil fuels, OTEC power draws on temperature differences of the ocean caused by the sun’s warming of the ocean’s surface, providing an unlimited and free source of energy.

OTEC and SWAC/LWAC infrastructure offers a modular design that facilitates adding components to satisfy customer requirements and access to a sufficient supply of cold water. These components include reverse-osmosis desalination plants to produce drinkable water, bottling plants to commercialize the drinkable water, and off-take solutions for aquaculture uses (such as fish farms), which benefit from the enhanced nutrient content of deep ocean water. A further advantage of a modular design is that, depending on the patterns of electricity demand and output of the OTEC plant, a desalination plant can be run using the excess electricity capacity.



Currently, OTEC requires a minimum temperature difference of approximately 20 degrees Celsius to operate, with each degree greater than this increasing output by approximately 10-15%. OTEC has potential applications in tropical and subtropical zones. OTEC is particularly well suited for tropical islands and coastal areas with proximate access to both deep water and warm surface water. These communities are typically subject to high and fluctuating energy costs ranging from $0.28-$0.75 per kWh, as they rely on importing fossil fuels for power generation. Data from the National Renewable Energy Laboratory of the U.S. Department of Energy website indicated that at least 68 countries and 29 territories around the globe appear to meet these criteria.

The world's largest OTEC power plant to date is operational at the NELHA facility in Hawaii and is connected to the electrical grid. It provides base-load electricity produced by OTEC to about 150 homes. Around the world, a couple of other successful developmental and experimental plants have been built, and the U.S. National Oceanic and Atmospheric Administration, or NOAA, has stated that: "The qualitative analysis of the technical readiness of OTEC by experts at this workshop suggest that a <10 MWe floating, closed-cycle OTEC facility is technically feasible using current design, manufacturing, deployment techniques and materials." We believe that we have sufficient skill and knowledge to now commercialize 5-MW to 30-MW land-based OTEC plants, using off-the-shelf components, including the cold-water piping.

SWAC/LWAC is a significantly more cost-effective and environmentally friendly way to implement air-conditioning using cold water sourced from lakes or, analogous with OTEC, deep ocean water, rather than from an electric chiller. Comparing Federal Energy Management Program engineering efficiency requirements of approximately 0.94 kilowatts of electricity per ton of cooling capacity with our own engineering estimates of 0.09 kilowatts of electricity per ton of cooling capacity, as calculated by DCO Energy, our engineering, procurement, and construction partner, we estimate that SWAC/LWAC systems can reduce electricity consumption by up to 80-90% when compared to conventional systems. Therefore, we believe energy reductions may make SWAC/LWAC systems well-suited for large structures, such as office complexes, medical centers, resorts, data centers, airports, and shopping malls. We believe that other SWAC/LWAC plants we may develop will likely achieve similar efficiencies. There are examples of proven successful SWAC/LWAC systems in use, including a large 79,000-ton system used to cool buildings in the downtown area of the City of Toronto, Canada; Google's data center in Finland operates a SWAC/LWAC system that uses waters from the Baltic Sea to keep servers cool and a system with more than 18,000 tons of cooling is in operation at Cornell University, Ithaca, New York. On January 10, 2018, William S. (Lanny) Joyce joined our board of advisors. Mr. Joyce was the Director of Utilities and Energy Management in the Energy and Sustainability Department at Cornell University, Ithaca, New York. Mr. Joyce initiated and was project manager for the LWAC deep lake water cooling project, an innovative and award-winning project completed in 2000 that provides all of the chilled water production on the central campus utilizing a renewable resource and 86% less energy.

OTEC Versus Other Energy Sources

The construction costs of power plants using any technology are much higher in remote locations, such as tropical islands, than on the mainland of the United States, principally due to the need to transport materials, components, other construction supplies, and labor not available locally. There are also considerations that make those other technologies less attractive in those areas. We believe the consistency of OTEC over its life provides clear advantages over other power-generation technology in the tropical and subtropical markets, because its base-load power (available at all times and not subject to fluctuations throughout the day) is an important asset to the small transmission grid, which is typical in these regions.

Combined-cycle natural gas plants typically need to be capable of generating several hundred MWs to attain the lower cost per kilowatt installed values to make the plant economically feasible. Tropical locations do not have large enough grids and market demand to make that plant size reasonable. Further, tropical locations frequently do not have domestic fuel supplies, requiring fuel to be imported. In order to import natural gas, it must be liquefied for shipment and then vaporized at the location. There are initial cost and public safety concerns with such facilities. In addition, gas-fired plants emit undesirable nitrogen oxide, carbon dioxide, and volatile organic compounds.

Solar applications continue to increase as the cost and effectiveness of photovoltaic panels improve. However, we estimate that the cost to install solar panels in tropical regions remains high. Beyond the issues with shipping and labor costs that all construction must overcome, the design and building code requirements are tougher in storm-prone areas subject to potential wind damage from hurricanes, earthquakes, and typhoons than are typically encountered in mainland nontropical installations. Support structures must be more substantial in order to hold the solar panels in place in case of hurricane-force winds. Solar power, like wind power, places substantial stress on an electrical grid. Since the input of both of these sources is subject to weather conditions, they cannot be considered a reliable supply of power, and back-up capacity is necessary. Further, instantaneous changes in output due to sporadic cloud cover create transient power flow to the grid, creating difficulties in maintaining proper voltages and stability. OTEC is a stabilizing source to the grid, providing constant and predictable power, and has no emissions. The ability of OTEC to provide constant, continuous power is a large benefit as compared to any of the other renewable options available.

Our estimated price for OTEC-generated power of approximately $0.30 per kWh under current economic conditions, which can be as low as $0.18 net per kWh with maximum efficiency and revenue from water production, is also constant both throughout the year and over a plant's life. OTEC's power price, determined almost entirely by the amortization of its initial cost, is a protection against inflation and rising interest rates, which greatly affect coal and oil. Customers in our target markets currently pay from $0.35 to as high as $0.60 per kWh for power from coal and oil-fueled power plants. However, imported fuels are subject to price volatility, which has a direct impact on the cost of electricity and adds operating risk during the life of a plant. The fuel handling to allow for the shipping, storage, and local transport is expensive, a potential source of damaging fuel spills and a basis for environmental concerns. Fossil-fuel plants create pollution, emit carbon dioxide, and are visually unappealing, which is of particular concern in tropical areas renowned for their clear, pristine air and beauty. We project OTEC can save these markets up to 40%, compared to their current electrical costs, and when revenues from fresh drinking water, aquaculture, and agriculture production are considered, the justification is even more compelling.

Overview of the Market and the Feasibility of OTEC in Current Market Conditions

We believe that OTEC is now an economically, technologically, and environmentally competitive power source, especially for developing or emerging countries in certain tropical and subtropical regions contiguous to oceans. Our natural target markets are communities in countries around the Caribbean, Asia, and the Pacific. These locations are typically characterized by limited infrastructure, high-energy costs, mostly imported or expensively generated electricity, and frequently with significant fresh water and food shortages. These are serious limitations on economic development, which we believe our OTEC technology can address.

Data presented to the Sustainable Use of Oceans in the Context of the Green Economy and the Eradication of Poverty workshop in Monaco in 2011 by Whitney Blanchard of the Office of Ocean and Coastal Resource Management, National Oceanic and Atmospheric Administration, show that at least 98 nations and territories using an estimated five terawatts of potential OTEC net power are candidates for OTEC-power systems. Blanchard specifically notes that Hawaii, Guam, Florida, Puerto Rico, and the U.S. Virgin Islands are suitable for OTEC.

Over the past decade, there have been substantial changes in many areas that have now made the commercialization of OTEC a reality. First and foremost is the price of oil, which until 2006/2007 had been relatively inexpensive.

Recent oil prices have been volatile, owing in large part to political instability in the Middle East and elsewhere. Crude oil prices averaged $71.40 in 2018. Oil prices are almost triple the 13-year low of $26.55/bbl on January 20, 2016. Six months before that, oil had been $60/bbl (June 2015). A year earlier, it had been $100.26/bbl (June 2014).

Facts like these have resulted in increased attention and interest in OTEC in the commercial sector and among candidates. With OTEC power, customers can decouple the price of electricity from the price of oil.

The International Energy Agency's World Energy Outlook expects liquid natural gas export capacity to grow rapidly in the short term, with major new sources of supply coming mostly from Australia and the United States.

Liquid natural gas prices have collapsed, in part because demand is turning out to be weaker than some previously anticipated. Additionally, many rules and regulations are in effect to mitigate the environmental issues associated with liquid natural gas extraction, transportation, and storage, adding significant costs.

According to the U.S. Environmental Protection Agency, in the United States, nearly 28.5% of 2016 greenhouse gas emissions was generated primarily from burning fossil fuel for our cars, trucks, ships, trains, and planes. Over 90% of the fuel used for transportation is petroleum-based, which includes gasoline and diesel.

The electric power sector accounted for 28.4% of total greenhouse gas emissions in 2016.

According to the U.S. Environmental Protection Agency: "Global carbon emissions from fossil fuels have significantly increased since 1900. Since 1970, CO2 emissions have increased by about 90%, with emissions from fossil fuel combustion and industrial processes contributing about 78% of the total greenhouse gas emissions increase from 1970 to 2011."

Greenhouse gas emissions from electricity have increased by about 12% since 1990 as electricity demand has grown and fossil fuels have remained the dominant source for generations.

Fossil-fuel-fired power plants are a significant source of domestic carbon dioxide emissions, the primary cause of global warming. To generate electricity, fossil-fuel-fired power plants use natural gas, petroleum, coal, or any form of solid, liquid, or gaseous fuel derived from such materials.

The U.S. Energy Information Administration states that renewable energy plays an important role in reducing greenhouse gas emissions. Using renewable energy can reduce the use of fossil fuels, which are major sources of U.S. carbon dioxide emissions. The consumption of biofuels and other nonhydroelectric renewable energy sources more than doubled from 2000 to 2017, mainly because of state and federal government requirements and incentives to use renewable energy. The U.S. Energy Information Administration projects that U.S. renewable energy consumption will continue to increase through 2050.

People in many countries today, including the United States, are concerned with environmental issues caused by fossil-fuel-generated power. Gallup surveys find public acceptance of climate change is rising. The number of Americans that the organization terms "concerned believers" on climate change has risen from 37% in 2015 to 47% in 2016 and to 50% in the spring of 2017. NASA has long confirmed the scientific consensus that the Earth's climate is warming.

The international concern about the harmful effects of climate change led to the negotiation of the Paris Agreement in December 2015 as the culmination of the 2015 United Nations Climate Change Conference. The agreement provides for members to reduce their carbon output as soon as possible and to do their best to keep global warming to no more than two degrees Celsius, or 3.6 degrees Fahrenheit. In order to achieve the desired results, there would have to be a worldwide reduction in emissions from fossil fuels and a shift to renewable resources. President Donald Trump has pulled the United States out of the Paris accord, but other Americans are standing with the world to help fight the 'existential crisis' of global warming, A coalition of 14 U.S. states, including California and New York, have said they are on track to meet the U.S. target of a 26-28% reduction in greenhouse gas emissions by 2025, compared to 2005 level.

In November 2017, the United Nations Climate Conference opened in Bonn, Germany, with the aim of a greater ambition for climate action, as the world body's weather agency issued a stark warning that 2017 was set to be among the three hottest years on record.

We believe the ongoing concern about environmental issues and the price instability of fossil-fuel prices are motivation for increased commercial interest in OTEC, renewed activity in the commercial sector, and increased interest among communities and agencies that recognize the potential benefits of this technology, including the U.S. Department of Defense and U.S. Department of the Interior territories.

In the last four years, several large companies have used their OTEC technology experience to introduce OTEC systems worldwide, supporting the argument that the technology is now at the point where it can be introduced at a commercial level:

- In June 2014, the French companies, Akuo Energy and DCNS (now Naval Energies), were funded to construct and install a number of OTEC plants adding up to 16 MWs of power generation outside the coastline of Martinique in the Caribbean. This is by far the biggest OTEC project announced to date, and the European Union has allocated €72 million (about $82 million at current exchange rates) for this purpose. DCNS (now Naval Energies) is our teaming partner for potential projects in the Caribbean.

- Since early 2014, we have been working with several industrialized and developing countries, including U.S. Virgin Islands, The Bahamas, Cayman Islands, and others, and investigating suitable OTEC sites, infrastructural solutions, and funding opportunities.

- Two nongovernmental organizations promoting OTEC have been created: OTEC Foundation (based in The Netherlands) and OTEC Africa (based in Sweden)

- New technological advances for larger and more robust deep seawater pipes and more efficient and cost-effective heat exchangers, pumps, and other components have, in our opinion, further improved the economics for OTEC.

- Many countries, including a large number of Caribbean nations, now have renewable energy standards and are looking at ways to reduce their carbon footprint, decouple the price of electricity from the volatile price of oil, and increase energy security. Along with these countries, we are aware that Hawaii, U.S. territories, and the U.S. Department of Defense are looking at OTEC as a possible source of renewable energy and water for drinking, fish farming, and agriculture.

- The NELHA demonstration OTEC plant in Hawaii is producing 100 kilowatts of sustainable, continuous electricity annually and is powering a neighborhood of 120 homes. A potential next phase for OTEC development at NELHA is being considered by an international consortium under 2010 Okinawa-Hawaii clean energy agreement, which was extended in 2015.

- BARDOT Group, a French SME specialized in subsea engineering and equipment manufacturing for offshore energy, stated it has signed a contract for the first commercial OTEC system to be installed in an eco-resort in Maldives.

Global acceptance of man's influence on climate change may also contribute to a shift in the demand for OTEC. As evidenced by the Paris Agreement reached in December 2015 to combat climate change, 195 nations expressly recognized that conventional fossil-fuel powered energy technologies affect global climate change and the need to embrace a sustainable future in energy and water. Low-lying coastal countries (sometimes referred to as small island developing states) that tend to share similar sustainable development challenges, including small but growing populations, limited resources, remoteness, susceptibility to natural disasters, vulnerability to external shocks, excessive dependence on international trade, and fragile environments, have embraced this recognition and are keenly aware that they are on the frontline of early impact of sea level rise and are aggressively trying to embrace sustainable-energy alternatives. This is a major driving force for OTEC in primary early markets.

Recent international political instability in fossil-fuel-producing regions and oil price volatility have exposed the criticality of energy security and independence for all countries. The need to have a tighter control of domestic energy requirements is a matter of increasing international concern. Continued reliance on other countries (particularly those in oil-producing regions) is not a favorable option any longer. We believe these considerations will continue to drive renewable research and commercialization efforts that benefit technologies with global potential to replace fossil-fuel-based energy systems and benefit from base-load capabilities like OTEC.

Our current management team has led the development of the business since 2010 and has established a pipeline of potential projects, which include one signed 20-year energy services agreement, six signed memoranda of understanding, and a written agreement to support Lockheed Martin Corporation in proposing to the U.S. Navy a SWAC/LWAC system for a military base in the Indian Ocean. The projects under these agreements included the designs for OTEC, SWAC/LWAC, or a combination of both plants in the U.S. Virgin Islands, Bahamas, an island in the Indian Ocean, and in East Africa. The Public Services Commission of the U.S. Virgin Islands has approved our application to be a "qualified facility" and build a 15MW OTEC plant on the island of St. Croix. In addition to the OTEC plant, we are negotiating additional opportunities to supply potable water to the U.S. Virgin Islands government.

Discussions are ongoing with Lockheed Martin Corporation to continue our relationship with it for the SWAC/LWAC project for the U.S. Department of Defense, Department of the Navy. We are discussing both OTEC and SWAC/LWAC projects with the U.S. Department of Agriculture and the Secretary of Commerce for Puerto Rico. Currently, two projects are in the planning and discussion phase:

- EcoVillage powered by an OTEC plant for Puerto Rico; and
- Eco Village powered by an OTEC plant for the U.S. Virgin Islands.

We have provided a detailed study and designs for OTEC and/or SWAC/LWAC to:

- Lockheed Martin Corporation for an SWAC/LWAC system to be built for the U.S. Navy Base in Diego Garcia. We completed our preliminary assessment and in early 2018, we briefed the preliminary assessment to the U.S. Navy at a design charrette meeting.
- The U.S. Department of Agriculture for a combined OTEC/SWAC/LWAC plant for Guam.
- The Legislature of the U.S. Virgin Islands for an OTEC plant for the island of St. Croix.

Having successfully developed this pipeline of opportunities, we believe that it is now appropriate to seek additional funding to further progress and build up our engineering and technical teams, develop our intellectual property, file patents for several OTEC technical systems, and advance our pipeline of current opportunities to support our growth strategy.

Our Competition

We compete in the development, construction, and operation of OTEC and SWAC/LWAC plants with other operators that develop similar facilities powered by other energy sources, primarily oil, natural gas, nuclear energy, and solar power. These traditional energy sources have well-established infrastructures for production, delivery, and supply, with well-known commercial terms. In developing our OTEC and SWAC/LWAC plants, we will need to satisfy our customers that these technologies are sound and economical, which may be a challenge until and unless we have an established successful operating history. The energy industry is dominated by an array of companies of all sizes that have proven technologies and well-established fuel sources from a number of suppliers.

We expect that we will encounter increasing competition for OTEC and SWAC/LWAC plants. Other firms with greater financial and technical resources are focusing commercialization of these technologies. This includes, for example, Akuo Energy and DCNS (now Naval Energies) and Bardot Energy of Paris, France. Our competitors may benefit from collaborative relationships with countries, including a large number of Caribbean nations that now have renewable-energy standards and are looking at ways to reduce their carbon footprint, decouple the price of electricity from the volatile price of oil, and increase energy security. Other competitors may have advantageous relationships with authorities such as Hawaii, U.S. territories, and the U.S. Department of Defense, which are looking at OTEC as a possible source of renewable energy and water for drinking, fish farming, and agriculture.

We cannot assure that we will be able to compete effectively as the industry grows and becomes more established and as OTEC and SWAC/LWAC plants become more accepted as viable and economic energy solutions.

We believe competition in this industry is and will be based on technical soundness and viability, the economics of plant outputs as compared to other energy sources, developmental reputation and expertise, financial capability, and ability to develop relationships with potential customers. All of these factors are outside our control.

Our Operational Strategy and Economic Models

We have developed economic models of costs and potential revenue structures that we will seek to implement as we develop OTEC and SWAC/LWAC projects.

OTEC Projects

The estimated construction costs for a 20-MW plant are approximately $445 million. The hard costs of approximately $301 million consist of the power system and platform construction and piping, which make up 68% of the total. The remaining 32% consists of other construction costs and the deployment of the cold water pipe and soft costs of approximately $58 million for design, permits and licensing, environmental impact assessment, bathymetry, contractor fees, and insurance.

Once operational, the capacity factor, which is the projected percent of time that a power system will be fully operational, considering maintenance, inspections, and estimated unforeseen events, is expected to be 95% annually. This factor is used in our financial calculations, which means the plant will not be generating revenue for 5% of the year. Most fossil-fuel plants have capacity factors around 90%, as a result of the major maintenance for high-temperature boilers, fossil-fuel feed in systems, safety inspections, cleaning, etc. The normal maintenance cycle for the pumps, turbine, and generators used in the OTEC plant is typically every five years. This includes the cleaning of the heat exchangers and installation of new seals.

We anticipate that project returns will be comprised of two components: First, as the project developer, we will seek a lump-sum payment as a development fee at the time of closing the project financing for each project. These payments will be allocated toward reimbursement of development costs and perhaps a financial return at the early stage of each project. The development fee will vary, but initially we will seek a fee of approximately 3% of the project cost, payable upon closing project financing. Second, we will retain a percentage of equity in the project, with a goal to retain a minimum of 51% of the equity in any OTEC project in order to participate in operating revenues.

We will seek to generate revenue from OTEC plants from contract pricing charged on an energy-only price per kWh or on the basis of a generating capacity payment priced per kilowatt per month and an energy usage price per kWh. In many of the countries of the world where we intend to build OTEC and SWAC/LWAC plants, water is in short supply. In some locations, water is considered the more important commodity. Depending on the part of the world in which the plant is built, in addition to revenue from power generation, supplying water for drinking, fish farming, and agriculture would significantly increase plant revenue.

We cannot assure that we can maintain the revenue points noted above, that any fees received will offset development costs incurred to date, or that any operating plant will generate revenue.

SWAC/LWAC Projects

The estimated construction costs are approximately $150 million. The hard costs of approximately $91 million consist of piping and installation, which make up 60% of the total. The remaining 40% consists of the pump house, central utility plant (CUP), mechanical and engineering equipment, design, and other contingency costs and soft costs of approximately $30 million consist of the CUP license, permits, environmental impact assessment, bathymetry, and insurance.

Under our economic model, we will seek to generate revenue at two stages of the project. First, as the project developer, we will seek a lump-sum payment of a development fee equal to approximately 3% of the project cost at the time of closing the project financing for each project. These payments would provide us with income at the early stage of each project. If we are able to negotiate a development fee, we estimate that it will vary, but typically will be in the $2,500,000-$3,500,000 range. The second component of project returns is based upon the percentage of equity we will retain in the project.

SWAC/LWAC contract revenue will be based typically on three charges:

- Fixed Price–this is based upon the capital costs of the project paid over the term of the debt and with the intention of covering the costs of debt.
- Operation and Maintenance–this payment covers the cost of the labor and fixed overhead needed to run the SWAC/LWAC system, as well as any traditional chiller plant operating to fulfill back-up or peak-load requirements.
- Chilled Water Payment–this is a variable charge based on the actual chilled water use and chilled water generated both by the SWAC/LWAC and conventional system at the agreed upon conversion factors of kilowatt/ton and current electricity costs in U.S. dollars per kWh.

We will seek to structure project financing with the goal of retaining 100% of the equity in any SWAC/LWAC project. We cannot assure that we will recover project development costs or realize a financial return over the life of the project.

Our Project Timeline

We have not developed, designed, constructed, and placed into operation any OTEC or SWAC/LWAC plants. However, based on our planning process and early development experience to date, we estimate that it will take approximately two to four years or more, depending on local conditions, including regulatory and permitting requirements, to take a project from a preliminary memorandum of understanding with a potential power or other product purchaser to completion and commencement of operation.

Our Strategic Relationships

We have strategic relationships with each of the following parties for potential plant construction, design and architectural services, and the funding of projects.

- DCO Energy, LLC, Mays Landing, New Jersey, is an American energy development company specializing in the development, engineering, construction, start-up, commissioning, operation, maintenance and management, as well as ownership of central energy centers, renewable energy projects, and combined heat, chilling, and power-production facilities. DCO Energy was formed in 2000 and has independently developed and/or operated energy producing facilities of approximately 275 MW of electric, 400 MMBtu/hr of heat recovery, 1,500 MMBtu/hr of boiler capacity, and 130,000 tons of chilled water capacity, totaling over $1 billion of assets. DCO Energy provides financing, engineering and design, construction management, start-up and commissioning resources, and long-term operating and maintenance services for its own projects as well as third-party clients.

- Naval Energies (f/k/a DCNS) Paris, France, is a French naval defense company and one of Europe's largest ship builders. It employs 12,500 people and generates annual revenues of around $3.9 billion. In 2009, Naval Energies set up an incubator dedicated to marine renewable energies and has stated its intention to be a leader in this market, which includes marine turbines, floating wind turbines, OTEC, and tidal stream turbines.

- The Sky Institute for the Future seeks to implement pragmatic and sustainable strategies in design, energy, town planning, and agricultural production, and to create and incubate transformational ideas that will nourish healthy communities and educate current and future generations.

Our Construction and Components

Once we have designed the system, we will review the design with our engineering, procurement, and construction partner to maximize the chances that the project can be delivered according to plan and on budget. We expect our construction contracts to be at a fixed price and to include penalties if the construction timetable is missed. We may, but are not obligated to, engage DCO Energy to construct our plants or serve as our owners' engineer.

In our systems, the two most important components are heat exchangers and deep-water intake pipes. Although there are multiple providers of each of these components, the supply of the best components comes from just a few companies globally. We expect to source our deep-water intake pipes from Pipelife of Norway, the only company we know of that makes pipes of sufficient quality, strength, and diameter (2.5 meters) to support our planned OTEC plants. However, we expect that we could work around a lack of supply from Pipelife by using multiple smaller pipes that are widely available on the market, although this would increase our construction costs.

We will also need the highest quality, large heat exchangers for our systems; heat exchangers represent a large percentage of the projected costs of our OTEC and SWAC/LWAC systems and also account for a significant portion of the design complexity inherent in commercial OTEC and SWAC/LWAC designs. Our relationship with Alfa Laval for heat exchangers provides us with the size and quality heat exchangers that we expect to need, although we believe there are several other companies that could provide us with adequate supply of these devices meeting our specifications if we need to source from them.

Other major components, such as ammonia turbines, generators, and pumps, are manufactured by several multinational companies, including General Electric and Siemens.

Our Operations

For OTEC electricity-generating facilities, we intend to enter into 20- to 30-year power purchase agreements, or PPAs, pursuant to which the project would supply fixed-price, baseload electricity to satisfy the minimum demand of the purchaser's customers. This PPA structure allows customers to plan and budget their energy costs over the life of the contract. For our SWAC/LWAC systems, we intend to enter into 20- to 30-year energy service agreements, or ESAs, to supply minimum quantities of chilled water for use in a customer's air conditioning system.

We anticipate that operations of OTEC and SWAC/LWAC plants will be subcontracted to third parties that will take responsibility for ensuring the efficient operation of the plants. These arrangements may reduce our exposure to operational risk, although they may reduce our financial return if actual operating costs are less than the subcontract payments. We cannot assure that any OTEC and SWAC/LWAC plants will permit the PPAs and ESAs to yield minimum target internal rates of return. Our first projects are likely to have lower returns than subsequent projects. Variances in internal rates of return may occur due to a range of factors, including availability and structure of project financing and localized issues such as taxes, some of which may be outside of our control.

We expect our OTEC contract pricing will be charged either on an energy-only price per kWh or on the basis of a capacity payment priced per kilowatt per month and an energy usage price per kWh. We cannot assure that this pricing will enable us to recoup our funding costs and capital repayments and allow us to earn a profit.

Marketing Strategies

Our marketing and sales efforts are managed and directed by our chairman and chief executive officer, Jeremy P. Feakins, who has 35 years' experience of senior-level sales in both commercial and governmental markets. Our marketing campaign has focused on explaining to potential customers the economic, environmental, and other benefits of OTEC and SWAC/LWAC through personal contacts, industry interactions, and our website.

Our target markets are comprised of large institutional customers that typically include governments, utilities, large resorts, hospitals, educational institutions, and municipalities. We market to them directly through personal meetings and contact by our chief executive officer and other key members of our team. We also make extensive use of centers of influence either to heighten awareness of our products in the minds of key customers' decision-makers or to secure face-to-face meetings and preliminary agreements between our customers and our chief executive officer.

Sales cycles in our business are extremely long and complex and often involve multiple meetings with governmental, regulatory, electric utility, and corporate entities. Therefore, we cannot predict when or if any of the projects we currently have under development will progress to the signed contract or operational phase and generate revenue. We do not expect sales to be seasonal or cyclical.

Material Regulation

Our business and products are subject to material regulation. However, because we contemplate offering our products and services in different countries, the specific nature of the regulatory requirements will be wholly dependent on the nation where the project will be located and the national, state, and local regulations that apply at that location.

In all cases, we expect the level of regulation will be material and will require significant permitting and ongoing compliance during the life of the project. The most significant regulations will likely be environmental and will include mitigating possible adverse effects during both the construction and operational phases of the project.

However, we believe that the limited plant site disturbance of both SWAC/LWAC and OTEC projects, together with the significantly lower emissions that result from these projects as compared to fossil-fuel electrical generation, will make compliance with all such regulation manageable in the normal course.

The second most significant regulations will likely involve coordination with existing infrastructure. We believe compliance with this type of regulation is a routine civil engineering coordination process that exists for all new buildings and infrastructure projects of all types. Again, we believe that the design of both SWAC/LWAC and OTEC projects can readily be modified to avoid interference with existing infrastructure in most cases.

Facilities

Our principal executive offices are located at 800 South Queen Street, Lancaster, Pennsylvania 17603. Our telephone number at that address is (717) 299-1344.

Intellectual Property

We use, or intend to employ in the performance of our material contracts, intellectual property rights in relation to the design and development of OTEC plants. Our intellectual property rights can be categorized broadly as proprietary know-how, technical databases, and trade secrets comprising concept designs, plant design, and economic models. Additionally, we have applied to register the trademark TOO DEEP® at the U.S. Patent and Trademark Office for the provision of desalinated deep ocean water for consumption. The trademark has been "published for opposition" as of February 12, 2019.

We may apply for patents for components of our intellectual property for OTEC and SWAC/LWAC systems, including novel or new methodologies for cold-water piping, heat exchanges, and computer-aided design programs. We cannot assure that any patents we seek will be granted.

Our intellectual property has been developed by our employees and is protected under employee agreements confirming that the rights in the inventions and developments made by the employees are our property. Confidential information is protected by nondisclosure agreements we entered into with prospective partners or other third parties with which we do business.

We have not received any notification from third parties that our processes or designs infringe any third-party rights, and we are not aware of any valid and enforceable third-party intellectual property rights that infringe our intellectual property rights. Currently, there is no patent for any company for OTEC technology.

Employees

We currently have five employees, consisting of one officer, three engineers/technicians, and one general and administrative employee, and three consultants. There are no collective-bargaining agreements with our employees, and we have not experienced work interruptions or strikes. We believe our relationship with employees is good, and we provide health and life insurance for all employees.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. Investors should carefully consider the risks described below, as well as the other information in this report, including our financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, operating results, and growth prospects. In such an event, the market price of our common stock could decline, and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Related to Our Financial Condition

The auditors' report for the years ended December 31, 2018 and 2017, contains an explanatory paragraph about our ability to continue as a going concern.

The report of our auditors on our consolidated financial statements for the years ended December 31, 2018 and 2017, as well as for prior years, contains an explanatory paragraph raising substantial doubt about our ability to continue as a going concern. We had a net loss of $7,880,013 and $14,591,675, respectively; used cash in operations of $1,638,582 and $1,469,169, respectively; and had a working capital deficiency of $17,601,515 and $10,716,255, respectively, and an accumulated deficit of $75,583,231 and $67,703,218, respectively, at December 31, 2018 and 2017. This raises substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern beyond December 31, 2019, is dependent on our ability to raise additional capital through the sale of debt or equity securities or stockholder loans and to implement our business plan during the next 12 months. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. Management believes that actions presently being taken to obtain additional funding through implementing our strategic plans, broadly based marketing strategy, and sales incentives to expand operations will provide the opportunity for us to continue as a going concern.

We have no current project that will generate revenues in the near future.

None of our several projects is to the development stage at which it will generate revenues in the near future. Our project development cycles are relatively long, extending over several years as we identify a potential project site, complete negotiations with third parties, complete permitting, obtain financing, complete construction, and place a plant into service. We expect to receive a development fee of approximately 3% of the project cost from our projects, payable upon the close of project financing. Operating revenues from projects are expected to be received when the plant has been built and placed into operation. We are currently focusing on developing a U.S. Virgin Island project, but even if we develop it successfully, it will not generate revenues until several years in the future. Until we receive revenues from this or another project, we will be dependent on raising funds from external sources.

We will require substantial amounts of additional capital from external sources.

We do not have any current source of revenues or sufficient cash or other liquid resources to fund our planned activities until we receive development fees from new contracts. Accordingly, as in the past, we will need substantial amounts of capital from external sources to fund day-to-day operations and project development. We have no arrangements or commitment for such capital. We plan to continue our practice of seeking external capital through the sale of debt or equity, although we cannot assure that such efforts will be successful. Any new investments will dilute the interest of the current stockholders. Further, new investors may require preferential financial returns, security, voting rights, or other preferences that will be superior to the rights of the holders of common stock. Alternatively, as project development advances, we may be required to sell all or a portion of our interest in one or more projects, which could reduce our retained financial interest and potential return.

Risks Related to Our Business

Our efforts to develop OTEC and SWAC/LWAC plants are subject to many financial, technical, managerial, and sales risks that may make us unsuccessful.

We incur substantial costs that we may not recover developing a new project that we may not build, operate, or sell. The identification of suitable locations, the investigation of the applicable regulatory and economic framework, the identification of potential purchasers, the completion of preliminary engineering and planning, and the funding of related administrative and support costs ordinarily require several years to complete before we determine to further develop or abandon a project. Each of these steps is fraught with risks and uncertainties, such as:

- limited market due to low demand, existing competitive energy sources, low power costs, or the absence of a single or few large potential output purchasers;
- a regulatory scheme suggesting that the development and operation of a plant would be subject to excessively stringent utility regulations or environmental requirements, burdensome zoning or permitting practices and requirements, or similar factors;
- shortage of suitable onshore locations, lack of available cold water with near-shore accessibility, sea wave and current conditions, and exposure to hurricanes, typhoons, earthquakes, or similar extreme events;
- the unavailability of favorable tax or other incentives or excessively stringent applicable incentive requirements;
- the high cost and potential regulatory difficulties in integrating into new markets;
- the possibility that new markets may be limited or unstable or exposed to competition from other sources of existing or potentially new energy sources;

- difficulties in negotiating power purchase agreements (PPAs) with potential customers, including in some instances, the necessity to assist in the formation of a power purchasing group; and

- the need to educate the market as well as investors regarding the reliability and economical and environmental benefits of ocean thermal technologies.

We cannot assure that we will be able to overcome these risks as we initiate the development of a project. We may incur substantial costs in advancing a project through the early stages, only to conclude eventually that the project is not economically or technically feasible, in which case we may be unable to recover the costs that we have then incurred. When we elect to proceed with a project, we may continue to incur substantial costs and be unable to complete the development, sell the project, or otherwise recover our investment. Even when a project is developed, constructed, and placed into operation, we cannot assure that we will be able to operate at a profit sufficient to recover our total investment.

We are dependent on the performance of counterparties to our agreements.

Our projects are and will be complex, with a number of agreements among several parties that purchase plant outputs; provide financing; complete design, construction, and other services; design and perform regulatory compliance; and fulfill other requirements. The failure of any participant in one of our projects due to its own management, financial, operating, or other deficiencies, all of which may be outside our control, can materially and adversely affect our operations and financial results. In circumstances in which we are not the prime developer of a large-scale project involving many large components in addition to our OTEC, SWAC/LWAC, or other components, we would have little ability to address problems resulting from performance failures by others or implement project-wide remedial measures. The foregoing is illustrated in our Baha Mar project, which is now on hold because of contract performance and financing disputes by others and may never resume.

Ongoing world economic, currency-exchange, energy-price, and political circumstances adversely affect our project development activities.

Recent and ongoing world events outside of our control or influence adversely affect our development activities. Economic uncertainties have resulted in the unpredictable availability of credit, debt, and equity financing; volatile interest rates; currency exchange-rate fluctuations that add risk to international projects; restrictions on the availability of borrowing; concerns respecting inflation and deflation; economic turmoil resulting from unpredictable political events and tensions in international relations; substantial reductions in hydrocarbon energy prices and the impact of such declines on the cost of energy generally; shifts in the economic feasibility of competitive energy sources; and similar factors. These adverse factors frequently have a particularly intense effect on emerging markets and developing countries, which we believe provide the greatest opportunity for our development of our projects. The possibility that principal energy prices will continue at current or even higher levels, which could reduce the projected cost at which power could be generated by hydrocarbon-fueled power plants, could make our relatively higher-cost plants less competitive. These emerging and developing markets are particularly vulnerable to the negative impacts of these adverse circumstances. The economic feasibility of alternative energy, including theprocess we develop and propose to operate, as compared to hydrocarbon energy is adversely affected as the prices for hydrocarbon fuels decline. Accordingly, possible continuing low hydrocarbon prices may retard the potential increase in the economic feasibility of alternative energy. The decline in crude oil prices from over $100 per barrel several years ago to approximately half that in mid-2016 has adversely affected alternative energy development. Our ability to develop and operate alternative energy plants and our ability to generate revenue will be adversely affected by continuing, relatively soft hydrocarbon energy prices. Further, alternative energy development may be adversely affected by uncertainty in hydrocarbon prices or public expectations that hydrocarbon prices may decline again.

We require substantial amounts of capital for all phases of our proposed activities.

We require substantial amounts of capital to fund efforts to identify, research, preliminarily engineer, permit, and design our projects and to negotiate PPAs for them. These costs may not be recovered, because we may not elect to complete the development of the project or because the development and operation of the project are not successful. We will rely on external capital to fund all of our operations, and we cannot assure that such capital will be available. Our efforts to access capital markets willbe limited, particularly at the outset, because we have not yet developed and placed into operation our first plant. Accordingly, we expect that we will have to provide the potential for a significant economic return for the initial capital we obtain, which will likely dilute the interests of our existing stockholders. We expect that each project that we are able to fully develop, construct, and place into operation will require several stages and levels of debt and equity financing. For example, we expect that a 20-MW OTEC plant may require total capital expenditures of approximately $445 million, consisting of $365 million in project debt financing and $80 million in equity. We cannot assure that we will be able to obtain financing, and if obtained, such financing may be on terms that we will retain only a minority financial interest in the completed project and its operations. Our inability to obtain required financing for any activity or project could have a material adverse effect on our activities and operations.

We are reliant on our key executives and personnel.

Our business, development, and prospects are highly dependent upon the continued services and performance of our directors and other key personnel, on whom we rely for experience, technical skills, and commercial relationships. We believe that the loss of services of any existing key executives, for any reason, or failure to attract and retain necessary personnel, could have a material adverse impact on our business, development, financial condition, results of operations, and prospects. Although we have entered into employment agreements with our key executives, we may not be able to retain our key executives. We do not maintain key-man life insurance on any of our executive employees.

Regulations and policies governing energy projects, power generation, desalinated water sales, and other aspects of our OTEC and SWAC/LWAC plants may adversely affect our ability to develop projects, and any changes in the applicable regulatory schemes may adversely affect projects that we are constructing or have constructed and are operating.

In identifying possible plant locations and undertaking preliminary development, an important factor in the overall economic feasibility of a project will be the governing regulatory regime. Such regulation includes the way the local jurisdiction regulates the power, cooling energy, or water output from a plant. Any change in that regulatory scheme after we determine to develop a plant based on existing circumstances could have a material adverse effect on our proposed operations. Generally, we will seek to structure plant output sales agreements as privately negotiated contracts not subject to utility or similar regulation, but we cannot assure that we will be able to do so. Some PPAs that we may seek to enter into may be subject to public utility commission approval, which may not be obtained or may be delayed. In some jurisdictions, the sale of output from a plant may be subject to public service commission or regulation by a similar authority as a public utility, even though we attempt to negotiate a private purchaser agreement for that output. In these circumstances, we may encounter delays in obtaining any required approval, approval may be conditioned on specified prices or other operating conditions, or the existence of the regulatory framework may delay or limit our ability to seek price increases.

The financial model for our proposed projects has not been tested and may not be successful.

We are proposing a financial model for the development of individual projects that includes development financing provided by us, construction financing provided by equity investors in the specific projects, and project debt financing; the payment of a development fee to us at the time of construction; and continuing equity participation by us throughout the plant's operation. We have not used this model in the financing or completion of any plant, and we cannot assure that the financial model and, therefore, the anticipated financial return to us will be acceptable to those that might provide the requisite external capital.

We may need to revise extensively our financing structure for each project, and we cannot assure that any restructured proposal would not substantially reduce our financial return or increase our risk. The financial, investment, and credit community are generally unfamiliar with OTEC and SWAC/LWAC projects, which will adversely affect our financing efforts. We have no existing relationships with potential sources of debt or equity capital, and any financing sources that we may develop may be inadequate to support the anticipated capital needs of our business. Our efforts to obtain financing may be adversely affected by the fact that our projects will likely be located in developing or emerging markets. Our inability to obtain financing may force us to abandon projects in which we have invested substantial costs, which we may be unable to recover. The process of identifying new sources of debt and equity financing and agreeing on all relevant business and legal terms could be lengthy and could require us to limit the rate at which we can develop projects or reduce our financial return.

We may be exposed to political and legal risks in the developing or emerging markets in which we propose to locate plants.

Many of the markets that may be suitable for a potential OTEC or SWAC/LWAC plants are located in emerging or developing countries that may have evolving and untested regulatory and legal environments for large-scale, international, commercial enterprises. Further, political instability, regime change, or other factors may increase uncertainty and instability, which in turn may adversely affect our ability to secure necessary regulatory approvals and obtain required project financing, which increases related costs and reduces our financial return. Any changes in applicable laws and regulations, including any governmental incentives, environmental requirements or restrictions, safety requirements, and similar matters, and the risk or likelihood of such a change could adversely affect the availability and cost of financing. Further, in some jurisdictions, applicable legal requirements may not have been fully tested and are still being developed in the face of modern international commercial transactions and environmental requirements, which may lead to changes in interpretation or application that may be adverse to us. Our expectations regarding the size of the potential OTEC and SWAC/LWAC markets and the number of possible suitable locations may not be accurate.

Our business plan and models are based on our identification of potential suitable locations for OTEC or SWAC/LWAC plants based on a preliminary evaluation of public information respecting demographic data, current power-generation costs, and local seafloor contours and seawater temperatures, which may be inaccurate. Any material inaccuracy could substantially reduce the total market available to us for plant development.

We may be unable to arrange or complete future construction projects on time, within expected budgets, or without interruption due to materials availability and disruptions in supply, labor, or other factors. If any project reaches the point at which we undertake construction, such construction may be subject to actual prices higher than the amount budgeted, the limited or delayed availability of components or materials, shortages or interruptions of labor or materials, or similar circumstances. In the case we have insufficient budget flexibility to pay increased construction costs, corresponding delays could result to construction completion and the commencement of operations.

Emerging markets are often associated with growth rates that may not be sustainable and may be accompanied by periods of high inflation. Rising inflation or related government monetary and economic policies in certain project jurisdictions may affect our ability to obtain external financing and reduce our ability to implement our expansion strategy. We can give no assurances that a local government will not implement general or project-specific measures to tighten external financing standards, or that if any such measure is implemented, it will not adversely affect our future operating results and profitability.

We are subject to changing attitudes about environmental risks.

Our projects may face opposition from environmental groups that may oppose our development, construction, or operation of OTEC or SWAC/LWAC plants. Each project is expected to have different environmental issues, especially as many of our projects are based in different settings having a wide range of environmental standards. We intend to solicit input from environmental organizations and activists early in our design process for our projects in an effort to consider appropriately these organizations' recommendations in order to mitigate subsequent conflict or opposition, but we cannot assure that such outreach will be effective in all cases, and if it is not, opposition to our projects could increase our cost and adversely affect the results of our operations.

We may be unable to find land suitable for our projects.

Each project site requires land of differing characteristics to permit the cost-effective construction of OTEC or SWAC/LWAC plants, and suitable land may not always be available. Even if available, such land may be difficult to obtain in a timely or cost-effective manner. For example, we would prefer to place OTEC power systems and facilities as close to the ocean as possible. We hope to mitigate this risk by using land owned by local governments, rather than private individuals or entities, as targeting local governments with favorable energy policies or mandates should reduce land rights risks. Our inability to secure appropriate land at a reasonable cost may render certain of our future projects economically unfeasible.

We have a limited number of suppliers for certain materials, which could increase our costs or delay completion of projects.

In our systems, the two most important components are heat exchangers and deep-water intake pipes. Although there are multiple providers of each of these components, the supply of the best components comes from just a few companies globally. Should these resources become unavailable for any reason or too costly, we would be required to seek alternative suppliers. The products from such suppliers could be of a lower quality or more costly, in any event requiring us to expend additional monies or time to complete our projects as planned. This could result in financial penalties or other costs to us.

There may be greater cost in building OTEC plants that generate over 10 MWs of electricity.

In order to successfully obtain debt financing for OTEC facilities, we must find engineering, procurement, and construction contractors willing to enter into fixed-price contracts at a pricing that is economically viable for us. Based on our preliminary discussions, we believe that engineering, procurement, and construction contractors may be willing to consider fixed-price arrangements for up to 10-MW OTEC facilities, but we have not yet discussed performance risk guarantees for OTEC plants greater than 10 MWs. The cost of construction for larger OTEC power systems may vary considerably, and these variances could include increased costs for construction, design, and component procurement. As we gain more experience, we may improve upon efficiencies and accuracy in pricing. Failure to procure engineering, procurement, and construction contractors willing to perform fixed-price contracts on facilities that produce more than 20 MWs may have a material adverse effect on our operations.

Technological advances may render our technologies, products, and services obsolete.

We operate in a fast-moving sector in which new forms of power generation and new energy sources are continuously being researched. New technologies may be able to provide power, coolant, desalinated seawater, or other outputs at a lower cost, including amortization of capital costs, or with less environmental impact. We will remain subject to these risks for the useful life of our projects, which could extend for 20 to 30 years or more. Any such technological improvements could render our projects obsolete.

We may not successfully manage growth.

We intend to continue to develop the projects in our project pipeline and to construct and operate plants as we deem warranted and as we are able to finance. This is an ambitious growth strategy. Our growth and future success will depend on the successfulcompletion of the expansion strategies and the sufficiency of demand for our energy products. The execution of our expansion strategies may also place a strain on our managerial, operational, and financial reserves. Should we fail to effectively implement such expansion strategies or should there be insufficient demand for our products and services, our business operations, financial performance, and prospects would be adversely affected.

There will likely be a single or limited number of power purchasers from each plant, so we will be dependent on their economic viability and stability and continued operations.

We expect that any plant that we operate will provide power, cooling, desalinated water, or other products to a few or a limited number of key power purchasers that will use the power for specific commercial enterprises, such as resorts, manufacturing or processing plants, or similar large-scale operations. Accordingly, our ability to sell power and other outputs will be dependent on the economicviability of these purchasers. If one or more key purchasers were to fail, we would be required to obtain alternative purchasers for our power and other outputs, and there may be no or a limited number of alternative purchasers in the merging and developing markets where we anticipate our plants may be located. Accordingly, a failure of an output purchaser may result in the failure of our power plant project. We do not anticipate that we will be able to obtain insurance to protect us against such a loss onacceptable terms. Further, our project output purchasers may not comply with contractual payment obligations or may otherwise fail to perform their contracts, and they may have greater economic bargaining power and negotiating leverage as we seek to enforce our contractual rights. To the extent that any of our project power purchasers are, or are controlled by, governmental entities, our projects may also be subject to legislative, administrative, or other political action or policies that impair their contractual performance. Any failure of any key power purchasers to meet their contractual obligations for any reason could have a material adverse effect on our business and operations.

Operational problems, natural events or catastrophes, casualty loss, or other events may impair the commercial operation of our projects.

Our ability to meet our delivery obligations under power-generation contracts, as well as our ability to meet economic projections, will depend on our ability to maintain the efficient working order of our plants. Severe weather, natural disasters, accidents, failure of significant equipment components, inability to obtain replacement parts, failure of power transmission facilities, or other catastrophes or occurrences could materially interrupt our activities and consequently reduce our economic return. Since all of our plants will be located on the shore within close proximity to deep-ocean or lake water, our plants will be subject to extraordinary natural occurrences, such as wave surges from hurricanes or typhoons, tsunamis, earthquakes, and other events, over which we will have absolutely no control. We cannot assure that we can obtain sufficient insurance to protect us from all risks resulting from such catastrophes. Further, we cannot assure that any design features or operating policies that we may use will mitigate the risks to which our plants may be exposed. Any threatened or actual events could expose us to plant shutdowns, substantial repairs, interruptions of operations, damages to our power purchasers, and similar events that could require us to incur substantial costs and significantly impair our revenues and results of operations.

We may be adversely affected by climate change.

Climate change may result in changes in ocean currents and water temperatures that could have a material adverse effect on our results of operations. These changes may require additional capital costs or impair the efficiency of our operations. Because of the size and cost of major components of ourpower plants, we typically will not inventory spare components, so that any substantial damage may require that we await the custom manufacture and delivery of such items, which may involve substantial delays. Significant changes may render any plant inefficient and uneconomical.

Our projects will be subject to substantial regulation.

Our projects likely will be significant commercial or industrial enterprises in each of their locations and, as such, will be subject to numerous environmental, health and safety, antidiscrimination, and similar laws and regulations in each of the jurisdictions governing our locations. These laws and regulations will require our projects to obtain and maintain permits and approvals; complete environmental impact assessments or statements prior to construction; and review processes and operations to implement environmental, health and safety, antidiscrimination, and other programs and procedures to control risks associated with our operations.

Our in-water facilities and operations may be deemed to threaten living coral, sea plants and animals, shoreline contours, and similar items. In some circumstances, we may encounter environmental problems that we may unable to overcome, which may force us to relocate our facilities, at considerable additional costs.

If our projects do not comply with applicable laws, regulations, or permit conditions, or if there are endangered or threatened species fatalities on our projects, we may be required to pay penalties or fines or curtail or cease operations of the affected projects. In addition, violations of environmental and other laws, including certain violations of laws protecting wetlands, shorelines and land, and sea plant and animal life, may result in civil fines, criminal sanctions, or injunctions.

Some environmental laws impose liability on current and previous owners and operators of real property for the cost of removal or remediation of hazardous substances, without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substance. In some jurisdictions, private plaintiffs may also bring claims arising from the presence of hazardous substances or their unlawful release or exposure. We will likely be unable to purchase insurance against these risks at all or on acceptable terms.

Environmental health and safety laws, regulations, and permit requirements applicable to any specific project at the time of construction may change or become more stringent during the life of the operation. Any such changes could require that our projects incur substantial additional costs, alter their operations, or limit or curtail their operations in order to comply, which would have a material adverse effect on our operations. We may not be able to pass on any additional costs that we incur to our power purchasers, particularly in those cases in which we sell power pursuant to a long-term, fixed-price agreement. The OTEC and SWAC/LWAC industry may be subject to increased regulatory oversight.

As the OTEC and SWAC/LWAC industries develop, new regulatory schemes may be adopted by one or more jurisdictions in which we develop or operate plants in order to address actual or perceived threats or problems. In addition to more stringent environmental, safety, and other regulations that may be applicable to usgenerally under the current regulatory scheme, whole new areas of regulation may be adopted, which could have a material adverse effect on our results of operations. New regulations may specifically regulate, for example, the price at which power that is generated from different seawater temperatures may be sold, even to private purchasers. We may have plants in various locations subject to different governing jurisdictions, so the complexity of this developing and expanding regulatory pattern may be particularly cumbersome and expensive.

Insurance to cover anticipated risks may become more expensive.

There are no known commercial OTEC and SWAC/LWAC plants in operation, so the nature and cost of insurance is difficult to predict. Insurance costs may substantially exceed the costs forecast during the planning process or budgeted during actual operations. We cannot assure that adequate insurance coverage will be available to protect us against all risks or that any related costs will be economical. Accordingly, if we are unable or cannot afford to purchase insurance against specific risks, our projects may be fully exposed to those risks, which also could have a material adverse effect on the viability of any affected plant.

Risks Related to Our International Operations

Certain risks of loss arise from our need to conduct transactions in foreign currencies.

Our business activities outside the United States and its territories may be conducted in foreign currencies. In the future, our capital costs and financial results may be affected by fluctuations in exchange rates between the applicable currency and the dollar. Other currencies used by us may not be convertible at satisfactory rates. In addition, the official conversion rates between a particular foreign currency and the U.S. dollar may not accurately reflect the relative value of goods and services available or required in other countries. Further, inflation may lead to the devaluation of such other currencies.

Foreign governmental entities may have the authority to alter the terms of our rights or agreements if we do not comply with the terms and obligations indicated in such agreements.

Pursuant to the laws in some jurisdictions in which we may develop or operate plants, foreign governmental entities may have the authority to alter the terms of our contractual or financial rights or override the terms of privately negotiated agreements. In extreme circumstances, some foreign governments have taken the step of confiscating private property on theassertion that such action is necessary in the public interest of the country. If this were to occur, we may not be compensated fairly or at all. We cannot assure that we have complied, and will comply, with all the terms and obligations imposed on us under all foreign laws to which one or more of our operations and assets may be subject.

Our operations will require our compliance with the Foreign Corrupt Practices Act.

We must conduct our activities in or related to foreign companies in compliance with the U.S. Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery laws that generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. Enforcement officials interpret the FCPA's prohibition on improper payments to government officials to apply to officials of state-owned enterprises, including state-owned enterprises with which we may develop or operate projects or to which we may sell plant outputs. While our employees and agents are required to acknowledge and comply with these laws, we cannot assure that our internal policies and procedures will always protect us from violations of these laws, despite our commitment to legal compliance and corporate ethics. The occurrence or allegation of these activities may adversely affect our business, performance, prospects, value, financial condition, reputation, and results of operations.

Our competitors may not be subject to laws similar to the FCPA, which may give them an advantage in negotiating with underdeveloped countries and the government agencies.

Our competitors outside the United States may not be subject to anti-bribery or corruption laws as encompassing or stringent as the U.S. laws to which we are subject, which may place us at a competitive disadvantage.

We may encounter difficulties repatriating income from foreign jurisdictions.

As we develop and place plants into operation, we intend to enter into revenue-generating agreements in which we are paid only in U.S. dollars directly to our U.S. banks or through countries in which repatriation of the funds to our U.S. accounts is unrestricted. However, situations could arise in which we agree to accept payment in foreign jurisdictions and for which restrictions make it difficult or costly to transfer these funds to our U.S. accounts. In this event, we could incur costs and expenses from our U.S. assets for which we cannot recover income directly. This could require us to obtain additional working capital from other sources, which may not be readily available, resulting in increased costs and decreased profits, if any.

Risks Related to Our Common Stock

Our common stock is thinly traded, and there is no guarantee of the prices at which the shares will trade.

Our common stock is quoted on the OTCQB Marketplace operated by the OTC Markets Group, Inc., under the ticker symbol "CPWR." Not being listed on an established securities exchange has an adverse effect on the liquidity of our common stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and reduction in security analysts' and the media's coverage of our company. This may result in lower prices for our common stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for our common stock. Historically, our common stock has been thinly traded, and there is no guarantee of the prices at which the shares will trade or of the ability of stockholders to sell their shares without having an adverse effect on market prices.

We have never paid dividends on our common stock and we do not anticipate paying any dividends in the foreseeable future.

We have not paid dividends on our common stock to date, and we may not be in a position to pay dividends in the foreseeable future. Our ability to pay dividends depends on our ability to successfully develop our OTEC business and generate revenue from future operations. Further, our initial earnings, if any, will likely be retained to finance our growth. Any future dividends will depend upon our earnings, our then-existing financial requirements, and other factors and will be at the discretion of our board of directors.

Because our common stock is a "penny stock," it may be difficult to sell shares of our common stock at times and prices that are acceptable.

Our common stock is a "penny stock." Broker-dealers that sell penny stocks must provide purchasers of these stocks with a standardized risk disclosure document prepared by the U.S. Securities and Exchange Commission ("SEC"). This document provides information about penny stocks and the nature and level of risks involved in investing in the penny stock market. A broker must also give a purchaser, orally or in writing, bid and offer quotations and information regarding broker and salesperson compensation, make a written determination that the penny stock is a suitable investment for the purchaser, and obtain the purchaser's written agreement to the purchase. The penny stock rules may make it difficult for investors to sell their shares of our common stock. Because of these rules, many brokers choose not to participate in penny stock transactions and there is less trading in penny stocks. Accordingly, investors may not always be able to resell shares of our common stock publicly at times and prices that they feel are appropriate.

In addition to the "penny stock" rules described above, the Financial Industry Regulatory Authority (known as "FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative, low-priced securities to their noninstitutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative, low-priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common shares, which may limit an investor's ability to buy and sell our stock and have an adverse effect on the market for our shares.

Our management concluded that our internal control over financial reporting was not effective as of December 31, 2018. Compliance with public company regulatory requirements, including those relating to our internal control over financial reporting, have and will likely continue to result in significant expenses and, if we are unable to maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

As a public reporting company, we are subject to the Sarbanes-Oxley Act of 2002 as well as to the information and reporting requirements of the Securities Exchange Act of 1934, as amended, and other federal securities laws. As a result, we incur significant legal, accounting, and other expenses, including costs associated with our public company reporting requirements and corporate governance requirements. As an example of public reporting company requirements, we evaluate the effectiveness of disclosure controls and procedures and of our internal control over financing reporting in order to allow management to report on such controls.

Our management concluded that our internal control over financial reporting was not effective as of December 31, 2018, due to a failure to maintain an effective control environment, failure of segregation of duties, failure of entity-level controls, and our sole executive's access to cash.

If significant deficiencies or other material weaknesses are identified in our internal control over financial reporting that we cannot remediate in a timely manner, investors and others may lose confidence in the reliability of our financial statements. This would likely have an adverse effect on the trading price of our common stock and our ability to secure any necessary additional equity or debt financing.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal corporate offices located at 800 South Queen Street, Lancaster, PA contain approximately 28,000 square feet and are leased from Queen Street Development Partners 1, LP at $10,000 per month. Our lease is a month-to-month basis. Queen Street Development Partners 1, LP is owned by our chief executive officer and director. We believe the terms of this lease are similar to those that we could negotiate in an arm's-length transaction with an unrelated third party. The facilities and equipment described above are generally in good condition, well maintained, and suitable and adequate for our current and projected operating needs.

ITEM 3. L EGAL PROCEEDINGS

From time to time, we are involved in legal proceedings and regulatory proceedings arising from operations. We establish reserves for specific liabilities in connection with legal actions that management deems to be probable and estimable.

On May 4, 2018, we reached a settlement of the claims at issue in *Ocean Thermal Energy Corp. v. Robert Coe, et al.* , Case No. 2:17-cv-02343SHL-cgc, before the United States District Court for the Western District of Tennessee. On August 8, 2018, an $8 million judgment was entered against the defendants and in our favor. We have reason to believe the defendants have adequate assets to satisfy this judgment in full. Between May 30 and July 19, 2018, we received three payments totaling $100,000 from the defendants. This process is ongoing. Information will be updated as it progresses.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is quoted on the OTCQB Marketplace operated by the OTC Markets Group, Inc., under the ticker symbol "CPWR." The following table sets forth the range of high and low closing prices of our common stock per quarter as reported by the OTCQB for the past two fiscal years ended December 31, 2018 and 2017, respectively, and subsequent fiscal quarter ending March 31, 2019 (through March 14, 2019). All quoted prices reflect interdealer prices without retail mark-up, mark-down, or commission, adjusted to account for past stock splits, and may not necessarily represent actual transactions:

	Low	High
Year Ending December 31, 2019		
First Quarter (through March 14, 2019)	$ 0.038	$ 0.055
Year Ended December 31, 2018		
Fourth Quarter	$ 0.04	$ 0.08
Third Quarter	$ 0.055	$ 0.12
Second Quarter	$ 0.107	$ 0.30
First Quarter	$ 0.12	$ 0.52
Year Ended December 31, 2017		
Fourth Quarter	$ 0.05	$ 2.25
Third Quarter	$ 1.00	$ 7.00
Second Quarter	$ 3.00	$ 12.25
First Quarter	$ 1.70	$ 17.50

On March 14, 2019, the closing price per share of our common stock as quoted on the OTCQB was $0.0479. As of March 15, 2019, there were approximately 1,508 stockholders of record of our common stock.

Dividends

We have not paid or declared any cash dividends since our inception and do not intend to declare or pay any such dividends in the foreseeable future. Our ability to pay cash dividends is subject to limitations imposed by state law.

Equity Compensation Plan

We do not have any securities authorized under equity compensation plans.

Recent Sales of Unregistered Securities

For the three months ended December 31, 2018, we issued 393,512 shares of common stock for $13,980 in cash.

In November 2018, we issued 190,840 shares of common stock to our chief executive officer for $5,000 in cash.

In November and December 2018, we issued 2,700,000 shares of common stock to L2 Capital for the conversion of a portion of our notes payable to L2 Capital in the amount of $70,690.

In December 2018, we issued 400,000 shares of common stock to L2 Capital as a commitment fee for $21,200 to purchase our outstanding note payable from Collier Investments LLC.

In January and February 2019, we issued 1,800,000 shares of common stock to L2 Capital for the conversion of a portion of our notes payable to L2 Capital in the amount of $49,614.

These securities were issued in reliance on the exemption from registration provided in Section 4(a)(2) of the Securities Act of 1933, as amended, for transactions not involving any public offering. Each investor is an "accredited investor," as that term is defined in Rule 501(a) of Regulation D, and confirmed the foregoing and acknowledged, in writing, that the securities were acquired and will be held for investment. No underwriter participated in the offer and sale of these securities, and no commission or other remuneration was paid or given directly or indirectly in connection therewith.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and operating results should be read together with our financial statements and related notes included elsewhere in this report. This discussion and analysis and other parts of this report contain forward-looking statements based upon current beliefs, plans, and expectations that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other parts of this report. Our fiscal quarters end on March 31, June 30, September 30, and December 31, and our current fiscal year ended on December 31, 2018.

Overview

We develop projects for renewable power generation, desalinated water production, and air conditioning using our proprietary technologies designed to extract energy from the temperature differences between warm surface water and cold deep water. In addition, our projects provide ancillary products such as potable/bottle water and high-profit aquaculture, mariculture, and agriculture opportunities.

We currently have no source of revenue, so as we continue to incur costs we are dependent on external funding in order to continue. We cannot assure that such funding will be available or, if available, can be obtained on acceptable or favorable terms.

Our operating expenses consist principally of expenses associated with the development of our projects until we determine that a particular project is feasible. Salaries and wages consist primarily of employee salaries and wages, payroll taxes, and health insurance. Our professional fees are related to consulting, engineering, legal, investor relations, outside accounting, and auditing expenses. General and administrative expenses include travel, insurance, rent, marketing, and miscellaneous office expenses. The interest expense includes interest and discounts related to our loans and notes payable.

Description of Expenses

General and administrative expenses consist primarily of salaries and related costs for accounting, administration, finance, human resources, and information systems. Professional fees expenses consist primarily of fees related to legal, outside accounting, auditing, and investor relations services.

Results of Operations

Comparison of Years Ended December 31, 2018 and 2017

We had no revenue in the years ended December 31, 2018 and 2017.

During the year ended December 31, 2018, we had salaries and wages of $1,361,706, compared to salaries and wages of $2,044,882 during the same period for 2017, a decrease of 33.4%, which is attributable to a reduction in staff because of cost-cutting measures due to our lack of revenue and funding.

During the years ended December 31, 2018 and 2017, we recorded professional fees of $1,201,956 and $1,669,202, respectively, a decrease of 28% year over year, which is attributable to a decrease in the use of outside consultants due to our lack of revenue and funding.

General and administrative expenses were $595,306 during the year ended December 31, 2018, compared to $2,169,577 for the same period in 2017, a decrease of 72.6%. This decrease was the result of a concerted effort to reduce all expenses during 2018. In 2017, we incurred additional travel expenses for due diligence on a potential acquisition and increased marketing expense to increase our visibility.

Our interest expense was $1,281,134 for the year ended December 31, 2018, compared to $614,749 for the same period of the previous year, an increase of 108%. In addition to interest of $810,455 on our notes payable, we also incurred liquidated damages of $56,250 on the replacement of one of our notes and a note default penalty of $414,429.

During the year ended December 31, 2017, we repriced warrants to purchase 14,692,500 shares of common stock and options to purchase 100,000 shares of common stock to $0. The warrants and options were then exercised, and we issued 14,792,500 shares of common stock. These warrants had a fair value of $6,769,562, which we recognized as an expense in operations. There was no similar activity in 2018.

Our amortization of debt discount and loan fee expenses was $1,160,983 for the year ended December 31, 2018, compared to $44,960 for the same period of the previous year. This increase is due to our payments of original discount fees and transaction fees for L2 Capital, LLC and Collier Investments, LLC. The expense also reflects the fair value of warrants issued with notes payable and recorded as discount, which we amortized during the year. In addition, there was change in the fair value of the derivative liability of $1,206,857 during the year ended December 31, 2018, and $0 for the same period in 2017. We incurred a loss on the extinguishment of debt of $279,432 in 2018, as compared to a loss on settlement of debt $1,105,203 in 2017.

Our operations used net cash of $1,638,582 during the year ended December 31, 2018, as compared to using net cash of $1,469,169 during the year ended December 31, 2017. The change was primarily due to the $1,206,857 of change in the derivative liability in 2018. The recognition of the impairment of assets under construction of $892,639 also impacted the cash flow in 2018.

Investing activities for the years ended December 31, 2018 and 2017, used cash of $0 and $140,613, respectively. Of cash used in the year of 2017, $95,352 was an increase in our assets under construction and the balance represents cash paid in connection with the Merger.

Financing activities provided cash of $1,221,965 for our operations during the year ended December 31, 2018, as compared to $2,027,302, a decrease of 39.7%. One of the major factors was the decrease in proceeds of approximately $748,535 from warrants that were exercised in 2017. In 2018, we received $165,885 in cash for the sale of stock and received $615,086 in cash from the issuance of convertible notes.

Liquidity and Capital Resources

At December 31, 2018, our principal source of liquidity consisted of $8,398 of cash, as compared to $425,015 of cash at December 31, 2017. At December 31, 2018, we had negative working capital (current assets minus current liabilities) of $17,601,515. In addition, our stockholders' deficiency was $17,769,177 at December 31, 2018, compared to stockholders' deficiency of $10,509,554 at December 31, 2017, an increase in the deficiency of $7,259,623. We are now focusing our efforts on promoting and marketing our technology by developing and executing contracts. We are exploring external funding alternatives, as our current cash is insufficient to fund operations for the next 12 months.

On May 4, 2018, we reached a settlement of the claims at issue in *Ocean Thermal Energy Corp. v. Robert Coe, et al.,* Case No. 2:17-cv-02343SHL-cgc, before the United States District Court for the Western District of Tennessee. On August 8, 2018, an $8 million federal court judgment was entered against the defendants and in our favor. We believe the defendants have adequate assets to satisfy this judgment in full. Between May 30 and July 19, 2018, we received three payments totaling $100,000 from the defendants. This process is ongoing.

Our consolidated financial statements have been prepared assuming we will continue as a going concern. We have experienced recurring losses from operations and have an accumulated deficit. Our ability to continue our operations as a going concern is dependent on management's plans, which include the raising of capital through debt and/or equity markets until such time that funds provided by operations are sufficient to fund working capital requirements. We will require additional funding to finance the growth of our current and expected future operations as well as to achieve our strategic objectives. If we are unable to access the equity line pursuant to the Equity Purchase Agreement of December 2017 with L2 Capital, LLC, we believe our current available cash may be insufficient to meet our cash needs for the near future. We cannot assure that the L2 Capital equity line or other financing will be available in amounts or terms acceptable to us, if at all. Further, we cannot assure that we will be able to collect all or any portion of our judgment against third parties as discussed above. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should we be unable to continue as a going concern.

We have no significant contractual obligations or commercial commitments not reflected on our balance sheet as of this date.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities.

Critical Accounting Policies

We have identified the policies outlined below as critical to our business operations and an understanding of our results of operations. The list is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management's judgment in their application. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations when such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see the notes to our consolidated financial statements for the year ended December 31, 2018. Note that our preparation of the consolidated financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. We cannot assure that actual results will not differ from those estimates.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. We adopted the ASU on January 1, 2018. The adoption of the ASU did not have an impact on our consolidated financial statements during the years ended December 31, 2018 and 2017.

Income Taxes

We use the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities and on the amount of operating loss carry-forwards and are measured using the enacted tax rates and laws that will be in effect when the temporary differences and carry-forwards are expected to reverse. An allowance against deferred tax assets is recorded when it is more likely than not that such tax benefits will not be realized.

Capitalization Policy

Furniture, vehicles, equipment, and software are recorded at cost and include major expenditures, which increase productivity or substantially increase useful lives. Maintenance, repairs, and minor replacements are charged to expenses when incurred. When furniture, vehicles, and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from this account, and any gain or loss is included in the statement of operations. The cost of furniture, vehicles, equipment, and software is depreciated over the estimated useful lives of the related assets.

Assets under construction represent costs incurred by us for our renewable energy systems currently in process. We capitalize costs incurred once the project has met the project feasibility stage. Costs include environmental engineering, permits, government approval costs, and site engineering costs. We currently have several projects in the development stage. We capitalize direct interest costs associated with the projects.

Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-07, *Compensation–Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* . This ASU relates to the accounting for nonemployee share-based payments. The amendment in this update expands the scope of Topic 718 to include all share-based payment transactions in which a grantor acquired goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The ASU excludes share-based payment awards that relate to: (1) financing to the issuer; or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, *Revenue from Contracts from Customers*. The share-based payments are to be measured at grant-date fair value of the equity instruments that the entity is obligated to issue when the good or service has been delivered or rendered and all other conditions necessary to earn the right to benefit from the equity instruments have been satisfied. This standard will be effective forpublic business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption of Topic 606. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows, or financial condition.

We have reviewed all recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on our consolidated results of operations, financial position, and cash flows. Based on that review, we believe that none of these pronouncements will have a significant effect on current or future earnings or operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements, including the Report of Independent Registered Public Accounting Firm on our consolidated financial statements, are included beginning on page F-1 of this report, which are incorporated herein by reference.

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

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us, in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the periods specified by the SEC's rules and forms and that information is accumulated and communicated to our management, including our principal executive and principal financial officer (whom we refer to in this periodic report as our Certifying Officer), as appropriate to allow timely decisions regarding required disclosure. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management evaluated, with the participation of our Certifying Officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2018, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officer concluded that, as of December 31, 2018, our disclosure controls and procedures were not effective to provide reasonable assurance because certain deficiencies involving internal controls constituted material weaknesses, as discussed below. The material weaknesses identified did not result in the restatement of any previously reported financial statements or any other related financial disclosure, and management does not believe that the material weaknesses had any effect on the accuracy of our financial statements for the current reporting period.

Limitations on Effectiveness of Controls

A system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the system will meet its objectives. The design of a control system is based, in part, upon the benefits of the control system relative to its costs. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. In addition, the design of any control system is based in part upon assumptions about the likelihood of future events.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of fiscal year 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. We have assessed the effectiveness of those internal controls as of December 31, 2018, using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Internal Control—Integrated Framework (2013) as a basis for our assessment.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance respecting financial statement preparation and presentation. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

A material weakness in internal controls is a deficiency in internal control, or combination of control deficiencies, that adversely affects our ability to initiate, authorize, record, process, or report external financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a material misstatement of our annual or interim financial statements that is more than inconsequential will not be prevented or detected.

Based on our evaluation of internal control over financial reporting, our management concluded that our internal control over financial reporting was not effective as of December 31, 2018.

As of December 31, 2018, management identified the following material weaknesses:

- ***Control Environment*** - We did not maintain an effective control environment for internal control over financial reporting.

- ***Segregation of Duties*** - As a result of limited resources and staff, we did not maintain proper segregation of incompatible duties. The effect of the lack of segregation of duties potentially affects multiple processes and procedures.

- ***Entity Level Controls*** - We failed to maintain certain entity-level controls as defined by the 2013 framework issued by COSO. Specifically, our lack of staff does not allow us to effectively maintain a sufficient number of adequately trained personnel necessary to anticipate and identify risks critical to financial reporting. There is a risk that a material misstatement of the financial statements could be caused, or at least not be detected in a timely manner, due to lack of adequate staff with such expertise.

- ***Access to Cash -*** One executive had the ability to transfer from our bank accounts.

These weaknesses are continuing. Management and the board of directors are aware of these weaknesses that result because of limited resources and staff. Management has begun the process of formally documenting our key processes as a starting point for improved internal control over financial reporting. Efforts to fully implement the processes we have designed have been put on hold due to limited resources, but we anticipate a renewed focus on this effort in the near future. Due to our limited financial and managerial resources, we cannot assure when we will be able to implement effective internal controls over financial reporting.

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

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names, ages, and positions of our executive officers and directors as of December 31, 2018:

Name	Age	Position
Jeremy P. Feakins	65	Chairman of the Board, Chief Executive Officer, Chief Financial Officer and Secretary/Treasurer
Peter H. Wolfson	54	Director
Antoinette K. Hempstead	54	Director

Jeremy P. Feakins has served as our chief executive officer, chief financial officer, and secretary/treasurer since March 2015. Mr. Feakins has over 35 years of experience as an entrepreneur and investor, having founded two technology-based companies. Between 1990 and 2006, Mr. Feakins was the chairman and chief executive officer of Medical Technology & Innovations, Inc. (MTI), a developer and manufacturer of a microprocessor-based, vision-screening device and other medical devices located in Lancaster, PA. In 1996, he managed the public listing of MTI on the over-the-counter markets and subsequently structured the sale of the rights to MTI's vision-screening product to a major international eyewear company. Between 1998 and 2006, he was a managing member of Growth Capital Resources LLC, a venture capital company located in Lancaster, PA, where he successfully managed the public listings for four small companies on the over-the-counter market. Between 2005 and 2008, he served as executive vice chairman and member of the board of directors of Caspian International Oil Corporation (OTC: COIC), an oil exploration and services company located in Houston, TX and Almaty, KZ, where he managed its public listing. Since 2008, Mr. Feakins has been the chairman and managing partner of the JPF Venture Fund 1, LP, an early-stage venture capital company located in Lancaster, PA, focused on companies involved with humanitarian and/or sustainability projects. Since 2014, Mr. Feakins has been chairman and chief executive officer of JPF Venture Group, Inc. JPF Venture Group, Inc., provides strategic and operational business assistance to start-up, early-stage, and middle-market high-growth businesses and is a principal stockholder of our stock. Mr. Feakins graduated from the Defence College of Logistics and Personnel Administration, Shrivenham, UK, and served seven years in the British Royal Navy. He is a member of the Institute of Directors in the United Kingdom and the British American Business Council in the United States. Based on his background in the technology industry and his financial and management background, the board of directors has concluded that Mr. Feakins is qualified to serve as a director.

Peter Wolfson has served as one of our directors since March 2015. Mr. Wolfson is also the founder, president, and chief executive officer of Hans Construction, a developer and builder of upscale homes located in Lancaster, PA. Mr. Wolfson is a qualified commercial pilot at a major U.S.-owned international airline company and has over 30 years' experience in the aviation business. He also has 10 years' experience as a financial consultant with a subsidiary of Mass Mutual, developing financial strategies and tax planning. Based on his financial background, the board of directors has concluded that Mr. Wolfson is qualified to serve as director.

Antoinette Knapp Hempstead was appointed as a director in February 2017. Prior to that, Ms. Hempstead served as our chief executive officer and president from April 2013 until March 2015 and as our deputy chief executive officer and vice president since August 2002. Ms. Hempstead has over 30 years' experience in management, software management, software development, and finance. Ms. Hempstead has also served as adjunct faculty for University of Idaho where she taught Computer Science courses. Ms. Hempstead has a Master's degree in Computer Science from the University of Idaho and a Bachelor's of Science Degree in Applied Mathematics from the University of Idaho. Ms. Hempstead provides experience in software development and project management, as well as experience in financial statement preparation and regulatory reporting, to our board of directors. Based on her technical background, the board of directors has concluded that Ms. Hempstead is qualified to serve as a director.

Family Relationships

There are no family relationships between any director and executive officer.

Involvement in Certain Legal Proceedings

During the past 10 years, none of our directors and executive officers has been involved in any of the events described in Item 401(f) of Regulation S-K.

Shareholder Nominations to the Board

Our board of directors, acting as the nominating committee, will consider shareholder nominations to the board of directors.

Committees of the Board

We currently do not have nominating, compensation, or audit committees or committees performing similar functions and we do not have a written nominating, compensation, or audit committee charter. Our board of directors believes that it is not necessary to have these committees, at this time, because the directors can adequately perform the functions of such committees.

Code of Ethics

We have adopted a code of ethics that applies to all of our employees, including our executive officers, a copy of which is included as an exhibit to this report.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth, for the fiscal years ended December 31, 2018 and 2017, the dollar value of all cash and noncash compensation earned by any person that was our principal executive officer, or PEO, during the preceding fiscal year:

Name and Principal Position	Year Ended Dec 31	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Jeremy Feakins	2018	388,320 (1)	0	0	0	0	0	0	388,320
Principal Executive Officer	2017	381,110 (2)	0	581,571	0	0	0	0	962,681
Principal Financial Officer									

(1) For the fiscal year ended December 31, 2018, $194,110 of Mr. Feakins' salary was accrued but unpaid.
(2) For the fiscal year ended December 31, 2017, $205,807 of Mr. Feakins' salary was accrued but unpaid.

The table above does not include prerequisites and other personal benefits in amounts less than 10% of the total annual salary and other compensation.

Narrative Disclosure to Summary Compensation Table

On January 1, 2011, we entered into a five-year employment agreement with an individual to serve as our chief executive officer. The employment agreement provides for successive one-year term renewals unless it is expressly cancelled by either party 100 days prior to the end of the term. Under the agreement, the chief executive officer will receive an annual salary of $350,000, a car allowance of $12,000, and company-paid health insurance. The agreement also provides for bonuses equal to one times annual salary plus 500,000 shares of common stock for each additional project that generates $25 million or more revenue to us. The chief executive officer is entitled to receive severance pay in the lesser amount of three years' salary or 100% of the remaining salary if the remaining term is less than three years. As of December 31, 2017, we issued 258,476 shares of common stock, with a fair value of $581,571, to compensate the chief executive officer for his performance.

On June 29, 2017, the board of directors approved extending the employment agreement for the chief executive officer for an additional five years. The salary and other compensation will be increased to account for inflation since the original employment agreement was executed.

Outstanding Equity Awards at Fiscal Year-End

No stock option awards were exercisable or unexercisable as of December 31, 2018, for any executive officer.

Director Compensation

For the year ended December 31, 2018, no compensation was awarded to, earned by, or paid to our nonemployee directors. Mr. Feakins, who is our chief executive officer, did not receive compensation for his service as a director. The compensation received by Mr. Feakins as an officer is presented in the above summary compensation table.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of our outstanding common stock, as of March 15, 2019, by: (i) each of our directors; (ii) each of our named executive officers (as defined by Item 402(a)(3) of Regulation S-K promulgated under the Exchange Act); (iii) all of our directors and named executive officers as a group; and (iv) each person known to us to beneficially own more than 5% of our outstanding common stock.

Name and Address of Person or Group (1)	Number of Shares of Common Stock Beneficially Owned	Percent of Common Stock Beneficially Owned
Principal Stockholders:		
Steve Oney	7,648,000	5.8%
Jeremy P. Feakins (2)	18,405,285	13.9
Directors and Executive Officers:		
Jeremy P. Feakins (2)	18,405,285	13.9
Antoinette Hempstead (3)	115,151	*
Peter H. Wolfson (4)	2,089,012	1.6%
Executive Officers and Directors as a Group (3 persons):	20,609,448	15.5%

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* Less than 1%

(1) 800 South Queen Street, Lancaster, PA 17603, is the address for all stockholders in the table. Applicable percentages are based on 132,838,944 shares of our common stock outstanding on March 15, 2019, and are calculated as required by rules promulgated by the SEC.

(2) Consists of (i) 8,288,051 shares of common stock owned of record by Jeremy P. Feakins; (ii) 3,901,645 shares of common stock owned of record by JPF Venture Group, Inc., which is an investment entity that is majority-owned and controlled by Jeremy P. Feakins, and, as such, is deemed to be beneficially owned by Mr. Feakins; and (iii) 6,215,589 shares of common stock issuable to JPF Venture Group, Inc. on the conversion of $75,000 in promissory notes, convertible at $0.01384 per share. All calculations in this footnote are based on conversion of the principal only.

(3) Consists of: (i) 452 shares of common stock owned of record by Antoinette Hempstead; and (ii) 114,699 shares of common stock owned of record by A.R. Hempstead Revocable Trust, which is owned and controlled by Ms. Hempstead and, as such, is deemed to be the beneficial owner of record. Ms. Hempstead is a member of the board of directors.

(4) Consists of: (i) 1,185,833 shares of common stock owned of record by Peter H. Wolfson; and (ii) 976,921 shares of common stock issuable to Mr. Wolfson on the conversion of a $12,500 promissory note dated October 2016, convertible at $0.01384 per share into shares of common stock. Mr. Wolfson is a member of the board of directors.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. The percentages in the table have been calculated on the basis of treating as outstanding for a particular person, all shares of our common stock outstanding on that date and all shares of our common stock issuable to that holder in the event of exercise of outstanding options, warrants, rights, or conversion privileges owned by that person at that date which are exercisable within 60 days of that date. Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of our common stock owned by them, except to the extent that power may be shared with a spouse. We do not know of any arrangements the operation of which may at a subsequent date result in a change of control of our company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PERSONS, AND DIRECTOR INDEPENDENCE

Related-Party Transactions

We pay rent to Queen Street Development Partners 1, LP, a company controlled by our chief executive officer, under an operating lease agreement. For the years ended December 31, 2018 and 2017, we paid rent of $120,000 and $95,000, respectively.

On October 20, 2016, we borrowed $12,500 from Peter Wolfson, an independent director, pursuant to a promissory note. The terms of the note are as follows: (i) interest is payable at 6% per annum; (ii) the note is payable 90 days after demand; and (iii) the payee is authorized to convert part or all of the note balance and accrued interest, if any, into shares of our common stock at the rate of one share for each $0.03 of principal amount of the note. This conversion share price was adjusted to $0.01384 for the reverse stock splits. As of December 31, 2018, the outstanding balance was $12,500, plus accrued interest of $1,754. As of December 31, 2018, we have recorded a debt discount of $12,500 for the fair value of derivative liability and fully amortized the debt discount.

On March 9, 2017, we issued a promissory note payable of $200,000 to Jeremy P. Feakins & Associates, LLC, an entity in which our chief executive officer is an officer and director. The note bears interest of 10% and is due and payable within 90 days after demand. During the year ended December 31, 2017, we received an additional $2,000 and repaid $25,000. The outstanding balance was $177,000 and accrued interest was $32,851 as of December 31, 2018.

On May 8, 2017, JPF Venture Group, Inc., an investment entity that is majority-owned by our director, chief executive officer, and chief financial officer, transferred 148,558 shares of common stock for $111,440 to us to fulfill an over-commitment of Series D warrants.

We remain liable for the loans made to us by JPF Venture Group, Inc. before the merger on May 9, 2017. As of December 31, 2018, the outstanding balance of these loans was $581,880 and the accrued interest was $125,381. All of these notes are in default.

On June 5, 2017, a shareholder elected to convert $25,000 of a convertible note payable balance into 1,806,298 shares of our common stock ($0.014 per share).

On September 8, 2017, JPF Venture Group, Inc., elected to convert $50,000 of a note payable balance into 3,612,596 shares of our common stock at a conversion rate of $0.014 per share. In addition, accrued interest of $6,342 was converted into 458,198 shares of our common stock.

On November 6, 2017, we entered into an agreement and promissory note with JPF Venture Group, Inc. to loan up to $2,000,000 to us. The terms of the note are as follows: (i) interest is payable at 10% per annum; (ii) all unpaid principal and all accrued and unpaid interest is due and payable at the earliest of resolution of the Memphis litigation (as defined therein), December 31, 2018, or when we are otherwise able to pay. As of December 31, 2018, the outstanding balance was $612,093 and the accrued interest was $80,568. For the years ended December 31, 2018 and 2017, we repaid $29,474 and $39,432, respectively. On September 30, 2018, the note was amended to extend the maturity date to the earliest of a resolution of the Memphis litigation, December 31, 2018, or when we are otherwise able to pay. This note is in default.

On November 8, 2017, Jeremy P. Feakins & Associates. LLC, a Series B note holder, elected to convert $50,000 in notes payable for 50,000 shares of our common stock at a conversion rate of $1.00. In addition, it converted accrued interest in the amount of $16,263 for 16,263 shares of our common stock.

On January 18, 2018, Jeremy P. Feakins & Associates, LLC agreed to extend the due date for repayment of a $2,265,000 note issued in 2014 to the earlier of December 31, 2018, or the date of the financial closings of our Baha Mar Project (or any other project of $25 million or more), whichever occurs first. During 2016, we repaid $5,000. On August 15, 2017, principal of $618,500 and accrued interest of $207,731 were converted to 826,231 shares at $1.00 per share, which was ratified by a disinterested majority of the board of directors. The conversion was recorded at historical cost due to the related-party nature of the transaction. For the year ended December 31 2018, we repaid $35,000. As of December 31, 2018, the note balance was $1,102,500 and the accrued interest was $511,818. This note is in default.

For the year ended December 31, 2018, we sold 240,840 shares of common stock for $10,000 in cash to our chief executive officer and an independent director.

On December 17 and December 29, 2018, our chief executive officer provided two short-term advances totaling $4,600 to us for working capital, which was repaid on January 23, 2019.

Director Independence

Other than Peter Wolfson, none of our directors is considered to be an independent member of our board of directors under the rules of Nasdaq.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Principal Accountant Fees and Services

The aggregate fees for professional services rendered to us by Liggett & Webb, P.A., our independent registered public accounting firm, for the fiscal years ended December 31, 2018 and 2017, were as follows:

	Year Ended December 31,	
	2018	**2017**
Audit fees (1)	$ 46,200	$ 37,800
Audit-Related fees (2)	3,500	-
Tax fees	-	-
Other fees	-	-
Total fees	**$ 49,700**	**$ 37,800**

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(1) Includes fees for (i) audits of our consolidated financial statements for the fiscal years ended December 31, 2018 and 2017; (ii) review of our interim period financial statements for fiscal year 2018; and (iii) fees related to services normally provided by the accountant in connection with statutory and regulatory filings or engagements.

(2) Includes fees for review of our registration statements filed with U.S. Securities and Exchange Commission.

Audit and Non-Audit Service Preapproval Policy

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder, our board of directors has adopted an informal approval policy that it believes will result in an effective and efficient procedure to preapprove services performed by the independent registered public accounting firm.

Audit Services. Audit services include the annual financial statement audit (including quarterly reviews) and other procedures required to be performed by the independent registered public accounting firm to be able to form an opinion on our consolidated financial statements. The board of directors preapproves specified annual audit services engagement terms and fees and other specified audit fees. All other audit services must be specifically preapproved by the board of directors. The board of directors monitors the audit services engagement and may approve, if necessary, any changes in terms, conditions, and fees resulting from changes in audit scope or other items.

Audit-Related Services. Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements, which historically have been provided to us by the independent registered public accounting firm and are consistent with the SEC's rules on auditor independence. The board of directors has approved specified audit-related services within preapproved fee levels. All other audit-related services must be preapproved by the board of directors.

Tax Services. The board of directors preapproves specified tax services that the it believes would not impair the independence of the independent registered public accounting firm and that are consistent with Securities and Exchange Commission's rules and guidance. The board of directors must specifically approve all other tax services.

All Other Services. Other services are services provided by the independent registered public accounting firm that do not fall within the established audit, audit-related, and tax services categories. The board of directors preapproves specified other services that do not fall within any of the specified prohibited categories of services.

Procedures. All proposals for services to be provided by the independent registered public accounting firm, which must include a detailed description of the services to be rendered and the amount of corresponding fees, are submitted to the chairman of the board of directors and the chief financial officer. The chief financial officer authorizes services that have been preapproved by the board of directors. The chief financial officer submits requests or applications to provide services that have not been preapproved by the board of directors, which must include an affirmation by the chief financial officer and the independent registered public accounting firm that the request or application is consistent with the Securities and Exchange Commission's rules on auditor independence, to the board of directors (or its chair or any of its other members pursuant to delegated authority) for approval.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following financial statements are filed as part of this report:

(b) The following exhibits are filed as part of this report:

Exhibit Number*	Title of Document	Location
Item 3	**Articles of Incorporation and Bylaws**	
3.01	Articles of Incorporation of TetriDyn Solutions, Inc., dated May 15, 2006	Incorporated by reference from the Current Report on Form 8-K filed June 7, 2006
3.02	Bylaws	Incorporated by reference from the Current Report on Form 8-K filed June 7, 2006
3.03	Designation of Rights, Privileges, and Preferences of Series A Preferred Stock	Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 2009, filed March 31, 2010
3.04	Certificate of Change Pursuant to NRS 78.209 of TetriDyn Solutions, Inc., filed with the Nevada Secretary of State on December 6, 2016	Incorporated by reference from the Current Report on Form 8-K filed December 12, 2016
3.05	Certificate of Correction of TetriDyn Solutions, Inc., filed with the Nevada Secretary of State on December 15, 2016	Incorporated by reference from the Current Report on Form 8-K filed December 12, 2016
3.06	Certificate of Amendment to Articles of Incorporation dated May 8, 2017	Incorporated by reference from the Current Report on Form 8-K filed May 12, 2017
Item 4	**Instruments Defining the Rights of Security Holders, including indentures**	
4.01	Specimen Stock Certificate	Incorporated by reference from the Registration Statement on Form S-8 filed August 25, 2017
Item 10	**Material Contracts**	
10.07	Loan Agreement between TetriDyn Solutions, Inc., and Southeast Idaho Council of Governments, Inc., together with related promissory notes, dated December 23, 2009	Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 2009, filed March 31, 2010
10.18	Consolidated Promissory Note for $394,350 dated December 31, 2014	Incorporated by reference from the Current Report on Form 8-K filed June 8, 2015
10.25	Promissory Note dated February 25, 2016	Incorporated by reference from the Current Report on Form 8-K filed March 1, 2016
10.26	Promissory Note dated November 23, 2015	Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 2015, filed March 30, 2016
10.28	Asset Purchase Agreement between TetriDyn Solutions, Inc. and JPF Venture Group, Inc. dated December 8, 2016	Incorporated by reference from the Current Report on Form 8-K filed December 12, 2016
10.29	Promissory Note dated October 20, 2016	Incorporated by reference from the Current Report on Form 8-K filed October 20, 2016
10.30	Promissory Note dated May 20, 2016	Incorporated by reference from the Current Report on Form 8-K filed May 24, 2016
10.31	Amendment to Convertible Promissory Notes dated February 24, 2017	Incorporated by reference from the Current Report on Form 8-K filed March 2, 2017
10.32	Agreement and Plan of Merger between TetriDyn Solutions, Inc. and Ocean Thermal Energy Corporation dated March 1, 2017	Incorporated by reference from the Current Report on Form 8-K filed March 10, 2017
10.33	Equity Purchase Agreement with L2 Capital, LLC dated December 18, 2017	Incorporated by reference from the Current Report on Form 8-K filed December 21, 2017
10.34	Registration Rights Agreement with L2 Capital, LLC dated December 18, 2017	Incorporated by reference from the Current Report on Form 8-K filed December 21, 2017
10.35	Common Stock Purchase Warrant (L2 Capital, LLC) dated December 18, 2017	Incorporated by reference from the Current Report on Form 8-K filed December 21, 2017
10.36	Note and Warrant Purchase Agreement dated December 28, 2017	Incorporated by reference from the Current Report on Form 8-K filed January 3, 2018
10.37	Form of Unsecured Promissory Note	Incorporated by reference from the Current Report on Form 8-K filed January 3, 2018
10.38	Form of Unsecured Common Stock Purchase Warrant	Incorporated by reference from the Current Report on Form 8-K filed January 3, 2018
10.39	Securities Purchase Agreement dated May 22, 2018, between Ocean Thermal Energy Corporation and Collier Investments, LLC	Incorporated by reference from the Current Report on Form 8-K filed June 1, 2018
10.40	Convertible Note dated May 22, 2018, issued to Collier Investments, LLC	Incorporated by reference from the Current Report on Form 8-K filed June 1, 2018
10.41	Security Agreement dated May 22, 2018, between Ocean Thermal Energy Corporation and Collier Investments, LLC	Incorporated by reference from the Current Report on Form 8-K filed June 1, 2018
10.42	Securities Purchase Agreement dated February 16, 2018, between Ocean Thermal Energy Corporation and L2 Capital, LLC	Incorporated by reference from the Current Report on Form 8-K filed February 23, 2018
10.43	Senior Secured Promissory Note dated February 16, 2018, issued to L2 Capital, LLC	Incorporated by reference from the Current Report on Form 8-K filed February 23, 2018
10.44	Security Agreement dated February 16, 2018, between Ocean Thermal Energy Corporation and L2 Capital, LLC	Incorporated by reference from the Current Report on Form 8-K filed February 23, 2018
10.45	Common Stock Purchase Warrant dated February 16, 2018, issued to L2 Capital, LLC	Incorporated by reference from the Current Report on Form 8-K filed February 23, 2018
10.46	Common Stock Purchase Warrant dated February 16, 2018, issued to Craft Capital Management, LLC	Incorporated by reference from the Current Report on Form 8-K filed February 23, 2018
10.47	Lease Agreement between Ocean Thermal Energy Corporation and Queen Street Development Partners 1, LP, as amended	This filing.
10.48	Employment Agreement with Jeremy P. Feakins dated January 1, 2011**	This filing.
10.49	Loan Agreement, Promissory Note, and Warrant to Purchase up to 3,295,761 Shares of Common Stock between Ocean Thermal Energy Corporation and DCO Energy, LLC, dated February 10, 2012, including Forbearance and Loan Extension Agreement dated April 1, 2016	This filing.
10.50	Form of Loan Agreement, Promissory Note (Series B), Security Agreement, and Warrant (with related schedule) [2013]	This filing
10.51	Promissory Note for $290,000 payable to Theodore Herman dated December 31, 2013	This filing.
10.52	Loan Agreement, Promissory Note, and Warrant to Purchase up to 12,912,500 Shares of Common Stock between Ocean Thermal Energy Corporation and Jeremy P. Feakins & Associates, LLC, dated April 1, 2014, including Forbearance and Loan Extension Agreement (Revised and Reformed) dated April 1, 2016	This filing.

10.53	Loan Agreement, Promissory Note, and Warrant to Purchase up to 200,000 Shares of Common Stock between Ocean Thermal Energy Corporation and Mart Inn, Inc., dated December 22, 2014	This filing.
10.54	Loan Agreement, Promissory Note, and Warrant to Purchase up to 100,000 Shares of Common Stock between Ocean Thermal Energy Corporation and James G. Garner, Jr., dated December 26, 2014	This filing.
10.55	Promissory Note dated April 17, 2015, with extensions	This filing.
10.56	Promissory Note dated October 20, 2016, to Peter Wolfson	Incorporated by reference from the Current Report on Form 8-K filed October 20, 2016.
10.57	Promissory Note dated December 21, 2016, to JPF Venture Group	This filing.
10.58	Promissory Note dated March 9, 2017, to Jeremy P. Feakins & Associates, LLC	This filing.
10.59	Loan Agreement and Promissory Note with JPF Venture Group, Inc., dated November 6, 2017	This filing.
10.60	Form of Bridge Loan, Warrant, and Promissory Note for December 2017, together with schedule of investors	This filing.
10.61	Replacement Convertible Promissory Note to L2 Capital, LLC, dated December 14, 2018	This filing.
Item 14	**Code of Ethics**	
14.01	TetriDyn Solutions, Inc. Code of Ethics	Incorporated by reference from the annual report on Form 10-KSB for the year ended December 31, 2006, filed April 2, 2007
Item 21	**Subsidiaries of the Registrant**	
21.01	Schedule of Subsidiaries	Incorporated by reference from Post-Effective Amendment No. 1/A to the Registration Statement on Form S-1 (Amendment No. 1) filed January 10, 2019
Item 23	**Consents of Experts and Counsel**	
23.01	Consent of Liggett & Webb, P.A.	This filing
Item 31	**Rule 13a-14(a)/15d-14(a) Certifications**	
31.01	Certification of Principal Executive and Principal Financial Officer Pursuant to Rule 13a-14	This filing
Item 32	**Section 1350 Certifications**	
32.01	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This filing
Item 101	**Interactive Data Files*** **	
101.INS	XBRL Instance Document	This filing
101.SCH	XBRL Taxonomy Extension Schema	This filing
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	This filing
101.DEF	XBRL Taxonomy Extension Definition Linkbase	This filing
101.LAB	XBRL Taxonomy Extension Label Linkbase	This filing
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	This filing

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* All exhibits are numbered with the number preceding the decimal indicating the applicable SEC reference number in Item 601 and the number following the decimal indicating the sequence of the particular document. Omitted numbers in the sequence refer to documents previously filed as an exhibit.

** Identifies each management contract or compensatory plan or arrangement required to be filed as an exhibit, as required by Item 15(a)(3) of Form 10-K.

*** The XBRL related information in Exhibit 101 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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.

OCEAN THERMAL ENERGY CORPORATION

Dated: March 22, 2019

By: /s/ Jeremy P. Feakins
Jeremy P. Feakins
Principal Executive Officer and
Principal Financial 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.

Name	Title	Date
/s/ Jeremy P. Feakins Jeremy P. Feakins	Director, Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Financial Officer)	March 22, 2019
/s/ Peter Wolfson Peter Wolfson	Director	March 22, 2019
/s/ Antoinette K. Hempstead Antoinette K. Hempstead	Director	March 22, 2019

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT

We will furnish to the Securities and Exchange Commission, at the same time that it is sent to stockholders, any proxy or information statement that we send to our stockholders in connection with any annual stockholders' meeting.

OCEAN THERMAL ENERGY CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
AND
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of:
Ocean Thermal Energy Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ocean Thermal Energy Corporation and Subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in stockholders' deficiency and cash flows for each of the two years in the period ended December 31, 2018, and the related notes. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended December 31, 2018 and 2017, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a net loss of $7,880,013, a working capital deficiency of $17,601,515, and an accumulated deficit of $75,583,231. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating 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.

/s/ Liggett & Webb, P.A.
LIGGETT & WEBB, P.A.
Certified Public Accountants

We have served as the Company's auditor since 2008

Boynton Beach, Florida
March 22, 2019

OCEAN THERMAL ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND DECEMBER 31, 2017

	2018	2017
ASSETS		
Current Assets		
Cash	$ 8,398	$ 425,015
Prepaid expenses	-	25,000
Total Current Assets	8,398	450,015
Property and Equipment		
Property and equipment, net	672	1,352
Assets under construction	-	892,639
Property and Equipment, net	672	893,991
Total Assets	**$ 9,070**	**$ 1,344,006**
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payables and accrued expense	$ 8,876,222	$ 6,846,010
Notes payable - related party, net	2,398,473	3,592,948
Convertible notes payable - related party, net	87,500	87,500
Notes payable, net	2,671,640	589,812
Convertible notes payable, net	1,283,824	50,000
Derivative Liability	2,292,254	-
Total Current Liabilities	17,609,913	11,166,270
Notes payable, net	168,334	607,290
Notes payable, convertible	-	80,000
Total Liabilities	17,778,247	11,853,560
Stockholders' deficiency		
Preferred Stock, $0.001 par value; 5,000,000 shares authorized, 0 and 0 shares issued and outstanding, respectively	-	-
Common stock, $0.001 par value; 200,000,000 shares authorized, 131,038,944 and 122,642,247 shares issued and outstanding, respectively	131,039	122,642
Additional paid-in capital	57,683,015	57,071,022
Accumulated deficit	(75,583,231)	(67,703,218)
Total Stockholders' Deficiency	(17,769,177)	(10,509,554)
Total Liabilities and Stockholders' Deficiency	**$ 9,070**	**$ 1,344,006**

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

OCEAN THERMAL ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

	2018	2017
Operating Expenses		
Salaries and wages	$ 1,361,706	$ 2,044,882
Professional fees	1,201,956	1,669,202
General and administrative	595,306	2,169,577
Warrant expense	-	6,769,562
Impairment of assets under construction	892,639	48,998
Total Operating Expenses	4,051,607	12,702,221
Loss from Operations	(4,051,607)	(12,702,221)
Other Income & Expenses		
Interest expense, net	(1,281,134)	(614,749)
Amortization of debt discount	(1,160,983)	(44,960)
Loss on settlement of debt	(279,432)	(1,105,203)
Change in fair value of liability	-	(124,542)
Change in fair value of derivative liability	(1,206,857)	-
Income from legal settlement	100,000	-
Total other income & expenses	(3,828,406)	(1,889,454)
Loss Before Income Taxes	(7,880,013)	(14,591,675)
Provision for Income Taxes	-	-
Net Loss	**$ (7,880,013)**	**$ (14,591,675)**
Net Loss per Common Share		
Basic and Diluted	**$ (0.06)**	**$ (0.13)**
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	**124,725,638**	**111,735,383**

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

OCEAN THERMAL ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

	Preferred Stock		Common Stock		Paid In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Deficiency
Balance, December 31, 2016	**-**	**$ -**	**94,343,776**	**$ 94,344**	**$ 44,352,962**	**$ (53,111,543)**	**$ (8,664,237)**
Warrants and options exercised at $0.00: 1/1/17 to 5/8/17 (prior to merger)			14,792,500	14,793	(14,793)	-	-
D Warrants exercised at $0.75: 1/1/17 to 5/8/17 (prior to merger)			998,079	998	747,537	-	748,535
Stock issued for services and commitment fee			3,887,802	3,888	2,898,876	-	2,902,764
Stock issued for cash			11,250	11	44,989	-	45,000
Stock issued for conversion of note payable and accrued interest			7,386,872	7,387	2,348,008	-	2,355,395
Stock repurchased from related parties			(148,588)	(149)	(111,291)	-	(111,440)
Stock issued for conversion of accounts payable			425,000	425	702,700	-	703,125
Stock issued for employee bonuses			409,066	409	919,990	-	920,399
Stock issued for TetriDyn Solutions, Inc.			536,490	536	(1,628,562)		(1,628,026)
FV of warrant modifications			-	-	6,769,562	-	6,769,562
Beneficial conversion feature on notes payable			-	-	41,044	-	41,044
Net Loss			-	-	-	(14,591,675)	(14,591,675)
Balance, December 31, 2017	-	**$ -**	**122,642,247**	**$ 122,642**	**$ 57,071,022**	**$ (67,703,218)**	**$ (10,509,554)**
Stock issued for warrants			39,000	39	9,481	-	9,520
Stock issued for services			673,345	673	138,313	-	138,986
Stock issued for conversions of notes payable			4,000,000	4,000	110,078	-	114,078
Shares issued as a commitment fee			400,000	400	20,800	-	21,200
Beneficial conversion features			-	-	13,248	-	13,248
Reclassification of derivative liabilities			-	-	157,473	-	157,473
Stock issued for cash under equity agreement, net of offering costs			2,300,000	2,300	104,605		106,905
Stock issued for cash			743,512	744	48,236		48,980
Stock issued for cash to related parties			240,840	241	9,759		10,000
Net Loss			-	-	-	(7,880,013)	(7,880,013)
Balance, December 31, 2018	-	**$ -**	**131,038,944**	**$ 131,039**	**$ 57,683,015**	**$ (75,583,231)**	**$ (17,769,177)**

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

OCEAN THERMAL ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

	2018	2017
Cash Flows From Operating Activities:		
Net loss	$ (7,880,013)	$ (14,591,675)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	680	1,014
Impairment of assets under construction	892,639	48,998
Stock issued for services	138,986	2,902,764
Stock issued for bonuses	-	920,399
Penalties upon default	470,679	-
Change in fair value of liability	-	124,542
Change in derivative liability	1,206,857	-
Loss on settlement of debt	-	1,105,203
Warrant expense	-	6,769,562
Amortization of debt discounts	1,160,983	44,960
Loss on extinguishment of debt	279,432	-
Changes in assets and liabilities:		
Other current assets	-	-
Prepaid expenses	25,000	5,549
Accounts payable and accrued expenses	2,066,175	1,199,515
Net Cash Used In Operating Activities	(1,638,582)	(1,469,169)
Cash Flow From Investing Activities:		
Cash acquired in acquisition	-	4,512
Assets under construction	-	(95,352)
Payments for acquisition	-	(49,773)
Net Cash Used In Investing Activities	-	(140,613)
Cash Flows From Financing Activities:		
Repayment of notes payable - related party	(64,474)	(64,432)
Repayment of government loans	(3,208)	(4,539)
Proceeds from notes payable	499,156	490,000
Proceeds from notes payable, convertible	615,086	80,000
Proceeds from issuance of common stock for cash	155,885	45,000
Proceeds from notes payable - related party	-	844,178
Stock repurchased from related parties	-	(111,440)
Stock issued for exercise of warrants for cash	9,520	748,535
Stock issued for cash - related party	10,000	-
Net Cash Provided by Financing Activities	1,221,965	2,027,302
Net increase in cash and cash equivalents	(416,617)	417,520
Cash and cash equivalents at beginning of year	425,015	7,495
Cash and Cash Equivalents at End of Year	$ 8,398	$ 425,015
Supplemental disclosure of cash flow information		
Cash paid for interest expense	$ 26,342	$ 17,162
Cash paid for income taxes	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Convertible note payable and accrued interest - related party converted to common stock	$ 114,078	$ 80,275
Note payable and accrued interest - related party converted into common stock	$ -	$ 668,500
Note payable and accrued interest converted into common stock	$ 878,292	$ -
Penalties upon default on notes payable	$ 470,680	$ -
Due to related party, converted into note payable - related party	$ -	$ 38,822
Accounts payable converted into common stock	$ -	$ 326,250
Stock issued for commitment fee on issuance of note payable	$ 21,200	$ -
Debt discount on notes payable	$ 13,248	$ 41,044
Reclassification of derivative liability	$ 157,473	$ -

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

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

Ocean Thermal Energy Corporation is currently in the businesses of:

- ***OTEC and SWAC/LWAC***—designing ocean thermal energy conversion ("OTEC") power plants and seawater air conditioning ("SWAC/LWAC") plants for large commercial properties, utilities, and municipalities. These technologies provide practical solutions to mankind's three oldest and most fundamental needs: clean drinking water, plentiful food, and sustainable, affordable energy without the use of fossil fuels. OTEC is a clean technology that continuously extracts energy from the temperature difference between warm surface ocean water and cold deep seawater. In addition to producing electricity, some of the seawater running through an OTEC plant can be efficiently desalinated using the power generated by the OTEC technology, producing thousands of cubic meters of fresh water every day for use in agriculture and human consumption in the communities served by its plants. This cold, deep, nutrient-rich water can also be used to cool buildings (SWAC/LWAC) and for fish farming/aquaculture. In short, it is a technology with many benefits, and its versatility makes OTEC unique.

- ***EcoVillages***—developing and commercializing our EcoVillages, as well as working to develop or acquire new complementary assets. EcoVillages are communities whose goal is to become more socially, economically, and ecologically sustainable. EcoVillages are communities whose inhabitants seek to live according to ecological principles, causing as little impact on the environment as possible. We expect that our EcoVillage communities will range from a population of 50 to 150 individuals, although some may be smaller. We may also form larger EcoVillages, of up to 2,000 individuals, as networks of smaller subcommunities. We expect that our EcoVillages will grow by the addition of individuals, families, or other small groups.

We expect to use our technology in the development of our EcoVillages, which should add significant value to our existing line of business.

On May 9, 2017, TetriDyn Solutions, Inc. ("TDYS") acquired Ocean Thermal Energy Corporation ("OTE") in a merger (the "Merger"), in which outstanding securities of OTE were converted into securities of TDYS, which changed its name to Ocean Thermal Energy Corporation. For accounting purposes, this transaction was accounted for as a reverse merger and has been treated as a recapitalization of TDYS with OTE as the accounting acquirer. The historical financial statements of the accounting acquirer became the financial statements of the company. We did not recognize goodwill or any intangible assets in connection with the transaction. The 110,273,767 shares issued to the shareholders of the accounting acquirer in conjunction with the share exchange transaction have been presented as outstanding for all periods. The historical financial statements include the operations of the accounting acquirer for all periods presented and the accounting acquiree for the period from May 9, 2017, through December 31, 2017. Our accounting year end is December 31, which was the year-end of the accounting acquirer.

On May 25, 2017, we received approval from the Financial Industry Regulatory Authority, Inc. ("FINRA") to change the trading symbol for our common stock to "CPWR," pronounced "sea power" to reflect our core technology, from "TDYS." Our common stock began formally trading under the symbol "CPWR" on June 21, 2017.

The consolidated financial statements include the accounts of the company and our wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, our financial statements reflect all adjustments that are of a normal recurring nature necessary for presentation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Principal Subsidiary Undertakings

Our consolidated financial statements for the years ended December 31, 2018 and 2017, include the following subsidiaries:

Name	Place of Incorporation / Establishment	Principal Activities	Date Formed
Ocean Thermal Energy Bahamas Ltd.	Bahamas	Intermediate holding company of OTE BM Ltd. and OTE Bahamas O&M Ltd.	07/04/2011
OTE BM Ltd.	Bahamas	OTEC/SDC development in the Bahamas	09/07/2011
OCEES International Inc.	Hawaii, USA	Research and development for the Pacific Rim	01/21/1998
Ocean Thermal Energy UK Limited	England and Wales	Dormant	07/22/2010
OTEC Innovation Group Inc.	Delaware, USA	Dormant	06/02/2011
OTE-BM Energy Partners LLC	Delaware, USA	Dormant	06/02/2011
OTE Bahamas O&M Ltd.	Bahamas	Dormant	09/07/2011
Ocean Thermal Energy Holdings Ltd.	Bahamas	Dormant	03/05/2012
Ocean Thermal Energy Cayman Ltd.	Caymans	Dormant	03/26/2013
OTE HC Ltd.	Caymans	Dormant	03/26/2013
Ocean Thermal Energy USVI, Inc.	Virgin Islands	Dormant	07/12/2016

We have an effective interest of 100% in each of our subsidiaries.

Use of Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates include the assumptions used in valuing equity investments and issuances, valuation of deferred tax assets, and depreciable lives of property and equipment.

Cash and Cash Equivalents

We consider all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents. At December 31, 2018 and 2017, we had no cash equivalents.

Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the “Jobs Act”) was enacted. The Jobs Act significantly revised the U.S. corporate income tax law by lowering the corporate federal income tax rate from 35% to 21%.

We use the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities and on the amount of operating loss carry-forwards and are measured using the enacted tax rates and laws that will be in effect when the temporary differences and carry-forwards are expected to reverse. An allowance against deferred tax assets is recorded when it is more likely than not that such tax benefits will not be realized.

Our ability to use our net operating loss carryforwards may be substantially limited due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state provisions. These ownership changes may limit the amount of net operating loss that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50.0% of the outstanding stock of a company by certain stockholders or public groups.

We have not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since we became a "loss corporation" under the definition of Section 382. If we have experienced an ownership change, utilization of the net operating loss carryforwards would be subject to an annual limitation under Section 382 of the Code, which is determined by first multiplying the value of our stock at the time of the ownership change by the applicable long-term, tax-exempt rate, and then could be subject to additional adjustments, as required. Any limitation may result in expiration of a portion of the net operating loss carryforwards before utilization. Further, until a study is completed and any limitation known, no positions related to limitations are being considered as an uncertain tax position or disclosed as an unrecognized tax benefit. Any carryforwards that expire prior to utilization as a result of such limitations will be removed from deferred tax assets with a corresponding reduction of the valuation allowance. Due to the existence of the valuation allowance, it is not expected that any possible limitation will have an impact on our results of operations or financial position.

Business Segments

We conduct operations in various foreign jurisdictions where we are developing projects to use our technology. Our segments were based on the location of these projects. The U.S. territories segment consists of projects in the U.S. Virgin Islands and Guam; and the other segment currently consists of projects in the Cayman Islands. Direct revenues and costs, depreciation, depletion, and amortization costs, general and administrative costs, and other income directly associated with their respective segments are detailed within the following discussion. Identifiable net property and equipment are reported by business segment for management reporting and reportable business segment disclosure purposes. Current assets, other assets, current liabilities, and long-term debt are not allocated to business segments for management reporting or business segment disclosure purposes.

Reportable business segment information is as follows:

December 31, 2018				
	Headquarters	**U.S. Territories**	**Other**	**Total**
Revenue	$ -	$ -	$ -	$ -
Assets	$ 9,070	$ -	$ -	$ 9,070
Net Loss	$ (6,987,374)	$ (892,639)	$ -	$ (7,880,013)
Property and equipment	$ 672	$ -	$ -	$ 672
Depreciation	$ 680	$ -	$ -	$ 680
Addtions to Property and equipment	$ -	$ -	$ -	$ -
Impairment of assets under construction	$ -	$ 892,639	$ -	$ 892,639

December 31, 2017	Headquarters	U.S. Territories	Other	Total
Revenue	$ -	$ -	$ -	$ -
Assets	$ 451,367	$ 892,639	$ -	$ 1,344,006
Net loss	$ (14,542,677)	$ -	$ (48,998)	$ (14,591,675)
Property and equipment	$ 1,352	$ -	$ -	$ 1,352
Assets under construction	$ -	$ 892,639	$ -	$ 892,639
Depreciation	$ 1,014	$ -	$ -	$ 1,014
Additions to assets under construction	$ -	$ 95,352	$ -	$ 95,352
Impairment of assets under construction	$ -	$ -	$ 48,998	$ 48,998

During the year ended December 31, 2018, $892,639 of Guam and U.S. Virgin Islands assets under construction were considered to be impaired due to the uncertainty of the project and were written off.

For the year ended December 31, 2017, the U.S. territories are comprised of U.S. Virgin Islands project (approx. $728,000) and Guam project (approx. $165,000). Other territories are comprised of Cayman Islands project); however, during the year ended December 31, 2017, $48,998 of Cayman Islands assets under construction was considered to be impaired due to the uncertainty of the project and were written off. The additions to assets under construction in 2017 were primarily salaries and consulting services.

Property and Equipment

Furniture, equipment, and software are recorded at cost and include major expenditures that increase productivity or substantially increase useful lives.

Maintenance, repairs, and minor replacements are charged to expenses when incurred. When furniture, vehicles, or equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed from this account, and any gain or loss is included in the statement of operations.

Assets under construction represent costs incurred by us for our renewable energy systems currently in process. Generally, all costs incurred during the development stage of our projects are capitalized and tracked on an individual project basis and are included in construction in progress until the project has been placed into service. If a project is abandoned, the associated costs that have been capitalized are charged to expense in the year of abandonment. Expenditures for repairs and maintenance are charged to expense as incurred. Interest costs incurred during the construction period of defined major projects from debt that is specifically incurred for those projects are capitalized.

Direct labor costs incurred for specific major projects expected to have long-term benefits are capitalized. Direct labor costs subject to capitalization include employee salaries, as well as related payroll taxes and benefits. With respect to the allocation of salaries to projects, salaries are allocated based on the percentage of hours that our key managers, engineers, and scientists work on each project. These individuals track their time worked at each project. Major projects are generally defined as projects expected to exceed $500,000. Direct labor includes all of the time incurred by employees directly involved with construction and development activities. Time spent in general and indirect management and in evaluating the feasibility of potential projects is expensed when incurred.

We capitalize costs incurred once the project has met the project feasibility stage. Costs include environmental engineering, permits, government approval, and site engineering costs. We currently have several EcoVillage projects in the development stage. We capitalize direct interest costs associated with the projects. As of December 31, 2018 and 2017, we have no interest costs capitalized for any of these projects.

The cost of furniture, vehicles, equipment, and software is depreciated over the estimated useful lives of the related assets.

Depreciation is computed using the straight-line method for financial reporting purposes. The estimated useful lives and accumulated depreciation for land, buildings, furniture, vehicles, equipment, and software are as follows:

	Years
Computer Equipment	3
Software	5

Fair Value

Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value under GAAP, and enhances disclosures about fair value measurements. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1–Pricing inputs are quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2–Pricing inputs are quoted for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes assets or liabilities valued at quoted prices adjusted for legal or contractual restrictions specific to these investments.
- Level 3–Pricing inputs are unobservable for the assets or liabilities; that is, the inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Management believes the carrying amounts of the short-term financial instruments, including cash and cash equivalents, prepaid expense and other assets, accounts payable, accrued liabilities, notes payable, deferred compensation, and other liabilities reflected in the accompanying balance sheets approximate fair value at December 31, 2018, and December 31, 2017, due to the relatively short-term nature of these instruments.

We account for derivative liability at fair value on a recurring basis under level 3 at December 31, 2018 (see Note 5).

Concentrations

Cash, cash equivalents, and restricted cash are deposited with major financial institutions, and at times, such balances with any one financial institution may be in excess of FDIC-insured limits. As of December 31, 2018, and 2017, $0 and $179,855, respectively, were deposited in excess of FDIC-insured limits. Management believes the risk in these situations to be minimal.

Loss per Share

The basic loss per share is calculated by dividing our net loss available to common shareholders by the weighted average number of common shares during the period. The diluted loss per share is calculated by dividing our net loss by the diluted weighted average number of shares outstanding during the period. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. We have 350,073 and 134,000 shares issuable upon the exercise of warrants and 47,046,431 and 7,056,721 shares issuable upon the conversion of convertible notes that were not included in the computation of dilutive loss per share because their inclusion is antidilutive for the years ended December 31, 2018 and 2017, respectively.

Revenue Recognition

In May 2014, the FASB issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. We adopted the ASU on January 1, 2018. The adoption of the ASU did not have an impact on our consolidated financial statements during the years ended December 31, 2018 and 2017.

Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. This ASU relates to the accounting for non-employee share-based payments. The amendment in this update expands the scope of Topic 718 to include all share-based payment transactions in which a grantor acquired goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The ASU excludes share-based payment awards that relate to: (1) financing to the issuer; or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, *Revenue from Contracts from Customers*. The share-based payments are to be measured at grant-date fair value of the equity instruments that the entity is obligated to issue when the goods or service has been delivered or rendered and all other conditions necessary to earn the right to benefit from the equity instruments have been satisfied. This standard will be effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption of Topic 606. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows, or financial condition.

We have reviewed all recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on our consolidated results of operations, financial position, and cash flows. Based on that review, we believe that none of these pronouncements will have a significant effect on current or future earnings or operations.

NOTE 2 – GOING CONCERN

The accompanying consolidated financial statements have been prepared on the assumption that we will continue as a going concern. As reflected in the accompanying consolidated financial statements, we had a net loss of $7,880,013 and used cash of $1,638,582 in operating activities for the year ended December 31, 2018. We had a working capital deficiency of $17,601,515 and a stockholders' deficiency of $17,769,177 as of December 31, 2018. These factors raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to increase sales and obtain external funding for our projects under development. The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018, consist of the following:

Property & Equipment as of December 31, 2018

	Cost	Accumulated Depreciation	Net Book Value	Useful Life Life
Computer & Office Equipment	$ 13,751	$ 13,079	$ 672	3 Years
Software (Video System)	19,061	19,061	-	5 Years
	$ 32,812	$ 32,140	$ 672	

Property and equipment as of December 31, 2017, consist of the following:

	Cost	Accumulated Depreciation	Net Book Value	Useful Life Life
Computer & Office Equipment	$ 13,751	$ 12,399	$ 1,352	3 Years
Software (Video System)	19,061	19,061	-	5 Years
Construction in Process	892,639		892,639	
	$ 925,451	$ 31,460	$ 893,991	

Depreciation expense for the years ended December 31, 2018 and 2017, was $680 and $1,014, respectively. During the year ended December 31, 2018, $892,639 of Guam and U.S. Virgin Islands assets under construction were considered to be impaired due to the uncertainty of the projects and written-off. During the year ended December 31, 2017, $48,998 of Cayman Islands assets under construction was considered to be impaired due to the uncertainty of the project and were written off.

NOTE 4 – CONVERTIBLE NOTES AND NOTES PAYABLE

On December 12, 2006, we borrowed funds from the Southeast Idaho Council of Governments (SICOG), the EDA-#180 loan. The interest rate is 6.25%, and the maturity date was January 5, 2013. During the year ended December 31, 2018, we made a repayment of $3,208. The loan principal was $9,379 with accrued interest of $186 as of December 31, 2018. This note is in default.

On December 23, 2009, we borrowed funds from SICOG, the EDA-#273 loan. The interest rate is 7%, and the maturity date was December 23, 2014. The loan principal was $94,480 with accrued interest of $22,864 as of December 31, 2018. This note is in default.

On December 23, 2009, we borrowed funds from SICOG, the MICRO I-#274 loan and MICRO II-#275 loan. The interest rate is 7%, and the maturity date was December 23, 2014. The loan principal was $47,239 with accrued interest of $11,349 as of December 31, 2018. These notes are in default.

On December 1, 2007, we borrowed funds from the Eastern Idaho Development Corporation and the Economic Development Corporation. The interest rate is 7%, and the maturity date was September 1, 2015. The loan principal was $85,821 with accrued interest of $39,414 as of December 31, 2018. This note is in default.

On September 25, 2009, we borrowed funds from the Pocatello Development Authority. The interest rate is 5%, and the maturity date was October 25, 2011. The loan principal was $50,000 with accrued interest of $20,740 as of December 31, 2018. This note is in default.

On March 12, 2015, we combined convertible notes issued in 2010, 2011, and 2012, payable to our officers and directors in the aggregate principal amount of $320,246, plus accrued but unpaid interest of $74,134, into a single, $394,380 consolidated convertible note (the “Consolidated Note”). The Consolidated Note was assigned to JPF Venture Group, Inc., an investment entity that is majority-owned by Jeremy Feakins, our director, chief executive officer, and chief financial officer. The Consolidated Note was convertible to common stock at $0.025 per share, the approximate market price of our common stock as of the date of the issuance. On February 24, 2017, the Consolidated Note was amended to eliminate the conversion feature. The Consolidated Note bears interest at 6% per annum and is due and payable within 90 days after demand. As of December 31, 2018, the outstanding loan balance was $394,380 and the accrued but unpaid interest was $95,011 on the Consolidated Note. This note is in default.

During 2016 and 2015, we borrowed $75,000 from JPF Venture Group, Inc. pursuant to promissory notes. The terms of the notes are as follows: (i) interest is payable at 6% per annum; (ii) the notes are payable 90 days after demand; and (iii) payee is authorized to convert part or all of the note balance and accrued interest, if any, into shares of our common stock at the rate of one share each for $0.03 of principal amount of the note. This conversion share price was adjusted to $0.01384 for the reverse stock splits. As of December 31, 2018, the outstanding balance was $75,000, plus accrued interest of $12,173. As of December 31, 2018, we have recorded a debt discount of $75,000 for the fair value derivative liability and fully amortized the debt discount.

During 2016, we borrowed $112,500 from JPF Venture Group, Inc. pursuant to promissory notes. The terms of the notes are as follows: (i) interest is payable at 6% per annum; (ii) the note are payable 90 days after demand; and (iii) payee is authorized to convert part or all of the note balance and accrued interest, if any, into shares of our common stock at the rate of one share for each $0.03 of principal amount of the note. This conversion price is not required to adjust for the reverse stock split as per the note agreement. On February 24, 2017, the notes were amended to eliminate the conversion features. As of December 31, 2018, the outstanding balance was $112,500, plus accrued interest of $18,197.

On October 20, 2016, we borrowed $12,500 from an independent director pursuant to a promissory note. The terms of the note are as follows: (i) interest is payable at 6% per annum; (ii) the note is payable 90 days after demand; and (iii) the payee is authorized to convert part or all of the note balance and accrued interest, if any, into shares of our common stock at the rate of one share for each $0.03 of principal amount of the note. This conversion share price was adjusted to $0.01384 for the reverse stock splits. As of December 31, 2018, the outstanding balance was $12,500, plus accrued interest of $1,754. As of December 31, 2018, we have recorded a debt discount of $12,500 for the fair value of derivative liability and fully amortized the debt discount.

On October 20, 2016, we borrowed $25,000 from a stockholder pursuant to a promissory note. The terms of the note are as follows: (i) interest is payable at 6% per annum; (ii) the note is payable 90 days after demand; and (iii) the payee is authorized to convert part or all of the note balance and accrued interest, if any, into shares of our common stock at the rate of one share for each $0.03 of principal amount of the note. This conversion share price was adjusted to $0.01384 for the reverse stock splits. As of September 5, 2017, the note holder converted the note principal of $25,000 into 1,806,298 shares common stock. As of December 31, 2018, there was an outstanding balance of accrued interest of $904.

During 2012, we issued a note payable for $1,000,000 and three-year warrants to purchase 3,295,761 shares of common stock with an exercise price of $0.50 per share. The note had an interest rate of 10% per annum, was secured by a first lien in all of our assets, and was due on February 3, 2015. We determined the warrants had a fair value of $378,500 based on the Black-Scholes option-pricing model. The fair value was recorded as a discount on the note payable and was being amortized over the life of the note. We repriced the warrants during 2013 and took an additional charge to earnings of $1,269,380 related to the repricing. The warrants were exercised upon the repricing. On March 6, 2018, the note was amended to extend the due date to December 31, 2018. As of December 31, 2018, the outstanding balance was $1,000,000, plus accrued interest of $636,948. This note is in default.

During 2013, we issued Series B units. Each unit is comprised of a note agreement, a $50,000 promissory note that matures on September 30, 2023, and bears interest at 10% per annum payable annually in arrears, a security agreement, and a warrant to purchase 10,000 shares of common stock at an exercise price to be determined pursuant to a specified formula and expires on September 30, 2023. During 2013, we issued $525,000 of 10% promissory notes and warrants to purchase 105,000 shares of common stock. We determined the warrants had a fair value of $60,068 based on the Black-Scholes option-pricing model. As part of our agreement with a proposed external financing source, the board repriced the warrants to $0.00, exercised the warrants, and issued shares of common stock. On August 15, 2017, loans of $316,666 and accrued interest of $120,898 were converted to 437,564 shares at $1.00 per share, which was ratified by a disinterested majority of the board of directors. The shares were recorded at fair value of $1,165,892, which resulted in a loss on settlement of debt of $728,328 on the conversion date. As of December 31, 2018, the loan balance was $158,334 and the accrued interest was $84,947.

During 2013, we issued a note payable for $290,000 in connection with the reverse merger transaction with Broadband Network Affiliates, Inc., or BBNA. We have determined that no further payment of principal or interest on this note should be made because the note holder failed to perform his underlying obligations giving rise to this note. As such, we are confident that if the note holder were to seek legal redress, a court would decide in our favor by either voiding the note or awarding damages sufficient to offset the note value. As of December 31, 2018, the balance outstanding was $130,000, and the accrued interest as of that date was $50,857. This note is in default.

On January 18, 2018, Jeremy P. Feakins & Associates, LLC, an investment entity owned by our chief executive, chief financial officer, and a director, agreed to extend the due date for repayment of a $2,265,000 note issued in 2014 to the earlier of December 31, 2018, or the date of the financial closings of our Baha Mar project (or any other project of $25 million or more), whichever occurs first. On August 15, 2017, principal of $618,500 and accrued interest of $207,731 were converted to 826,231 shares at $1.00 per share, which was ratified by a disinterested majority of the board of directors. The conversion was recorded at historical cost due to the related-party nature of the transaction. For the year ended December 31, 2018, we repaid $35,000. As of December 31, 2018, the note balance was $1,102,500 and the accrued interest was $511,818. This note is in default.

We have $300,000 in principal amount of outstanding notes due to unrelated parties, issued in 2014, in default since 2015, accruing interest at a default rate of 22%. We intend to repay the notes and accrued interest upon the Baha Mar SWAC/LWAC project's financial closing. Accrued interest totaled $247,045 as of December 31, 2018.

The due date of April 7, 2017, on a $50,000 promissory note with an unaffiliated investor, has been extended to April 7, 2019. The note and accrued interest can be converted into our common stock at a conversion rate of $0.75 per share at any time prior to the repayment. This conversion price is not required to adjust for the reverse stock split as per the note agreement. Accrued interest totaled $18,917 as of December 31, 2018.

On March 9, 2017, an entity owned and controlled by our chief executive officer agreed to provide up to $200,000 in working capital. The note bears interest of 10% and is due and payable within 90 days of demand. During the year ended December 31, 2017, we received an additional $2,000 and repaid $25,000. As of December 31, 2018, the balance outstanding was $177,000, plus accrued interest of $32,851.

During the third quarter of 2017, we completed a $2,000,000 convertible promissory note private placement offering. The terms of the note are as follows: (i) interest is payable at 6% per annum; (ii) the note is payable two years after purchase; and (iii) all principal and interest on each note automatically converts on the conversion maturity date into shares of our common stock at a conversion price of $4.00 per share, as long as the closing share price of our common stock on the trading day immediately preceding the conversion maturity date is at least $4.00, as adjusted for stock splits, stock dividends, reclassification, and the like. If the price of our shares on such date is less than $4.00 per share, the note (principal and interest) will be repaid in full. As of December 31, 2018, the outstanding balance for all four notes was $80,000, plus accrued interest of $7,003.

On November 6, 2017, we entered into an agreement and promissory note with JPF Venture Group, Inc. to loan up to $2,000,000 to us. The terms of the note are as follows: (i) interest is payable at 10% per annum; (ii) all unpaid principal and all accrued and unpaid interest is due and payable at the earliest of a resolution of the Memphis litigation, September 30, 2018, or when we are otherwise able to pay. For the year ended December 31, 2018 and 2017, we repaid $29,474 and $39,432 respectively. As of December 31, 2018, the outstanding balance was $612,093 and the accrued interest was $80,568. On September 30, 2018, the note was amended to extend the maturity date to the earliest of a resolution of the Memphis litigation, December 31, 2018, or when we are otherwise able to pay. This note is in default.

In December 2017, we entered into a note and warrant purchase agreement pursuant to which we issued a series of unsecured promissory notes to accredited investors, in the aggregate principal amount of $979,156 as of December 31, 2018. These notes accrue interest at a rate of 10% per annum payable on a quarterly basis and are not convertible into shares of our capital stock. The notes are payable within five business days after receipt of gross proceeds of at least $1,500,000 from L2 Capital, LLC, an unaffiliated Kansas limited liability company ("L2 Capital). We may prepay the notes in whole or in part, without penalty or premium, on or before the maturity date of July 30, 2019. In connection with the issuance of the notes, for each note purchased, the note holder will receive a warrant as follows:

- $10,000 note with a warrant to purchase 2,000 shares
- $20,000 note with a warrant to purchase 5,000 shares
- $25,000 note with a warrant to purchase 6,500 shares
- $30,000 note with a warrant to purchase 8,000 shares
- $40,000 note with a warrant to purchase 10,000 shares
- $50,000 note with a warrant to purchase 14,000 shares

The exercise price per share of the warrants is equal to 85% of the closing price of our common stock on the day immediately preceding the exercise of the relevant warrant, subject to adjustment as provided in the warrant. The warrant includes a cashless net exercise provision whereby the holder can elect to receive shares equal to the value of the warrant minus the fair market value of shares being surrendered to pay the exercise price. As of December 31, 2018, and December 31, 2017, the balance outstanding was $979,156 and $490,000, respectively. As of December 31, 2018, and December 31, 2017, the accrued interest was $71,542 and $613, respectively. As of December 31, 2018, and December 31, 2017, we had issued warrants to purchase 262,000 and 134,000 shares of common stock, respectively. As of December 31, 2018, and December 31, 2017, we determined that the warrants had a fair value of $34,975 and $41,044, respectively, based on the Black-Scholes pricing model. The fair value was recorded as a discount on the notes payable and is being amortized over the life of the notes payable. As of December 31, 2018, we have amortized $51,584 of debt discount. As of December 31, 2018, warrants to purchase 39,000 shares have been exercised (see Note 6), and the debt discount related to the exercised warrants has been fully expensed. As of December 31, 2018, $21,367 of the principal payments of two notes are due and in default.

On February 15, 2018, we entered into an agreement with L2 Capital for a loan of up to $565,555, together with interest at the rate of 8% per annum, which consists of up to $500,000 to us and a prorated original issuance discount of $55,555 and $10,000 for transactional expenses to L2 Capital. L2 Capital has the right at any time to convert all or any part of the note into fully paid and nonassessable shares of our common stock at the fixed conversion price, which is equal to $0.50 per share; *however*, at any time on or after the occurrence of any event of default under the note, the conversion price will adjust to the lesser of $0.50 or 65% multiplied by the lowest volume weighted average price of the common stock during the 20-trading-day period ending, in L2 Capital's sole discretion on each conversion, on either the last complete trading day prior to the conversion date or the conversion date. As of December 31, 2018, we have received five tranches totaling $482,222 with debt issuance cost of $91,222. The debt issuance cost is amortized over the life of the note. In addition, we also issued warrants to purchase 56,073 shares of common stock in accordance with a non-exclusive finder's fee arrangement (see Note 6). These warrants have a fair value of $13,280 based on the Black-Scholes option-pricing model. The fair value was recorded as a discount on the notes payable and is being amortized over the life of the notes payable. As of December 31, 2018, we have fully amortized $91,222 of the debt issuance cost. During the year ended December 31, 2018, L2 Capital converted $114,078 of the note into 4,000,000 shares of common stock at an average conversion price of $0.0285 per share. As of December 31, 2018, we have recorded a debt discount of $475,481 for the fair value of derivative liability and fully amortized the debt discount. As of December 31, 2018, the outstanding balance of the original loan was $368,145 plus a default penalty of $261,306 for a total of $629,451. The accrued interest was $59,938. The note is in default as of December 31, 2018.

On May 22, 2018, we executed a convertible note with Collier Investments, LLC, an unaffiliated California company, in the amount of $281,250 with an interest rate of 12% per annum. The maturity date of the note is the earlier of: (i) seven months after the issuance date; or (ii) the date on which we consummate a capital-raising transaction for $6,000,000 or more primarily from the sale of equity in the company. The note, or any portion of it, can be convertible by the holder into shares of our common stock at any time after the issuance date. The conversion price is equal to the lesser of 80% multiplied by the price per share paid by the investors in a "qualified financing" (as defined in the note) or $0.20, subject to certain adjustments. At any time within a 90-day period following the issuance date, we have the option to prepay 145% of the outstanding balance. There were an original issue discount and transaction fees of $36,250, yielding net proceeds of $245,000 to us. In addition, we paid a finder's fee of $20,914. The original issue discount and transaction finder fees are being amortized over the life of the note payable as debt issuance cost. As of December 31, 2018, we have fully amortized the debt issuance cost. As of December 31, 2018, we have recorded a debt discount of $5,267 for the fair value of derivative liability and fully amortized the debt discount. On December 14, 2018, L2 Capital LLC purchased this note payable from Collier Investments, LLC. The total consideration was $371,250, including the outstanding note balance, the accrued interest, and liquidated damages (see below for convertible note issued to L2 Capital on December 14, 2018). We recorded the loss on the extinguishment of debt of $279,432.

On September 19, 2018, we executed a note payable for $10,000 with an unrelated party that bears interest at 6% per annum, which is due quarterly beginning as of September 30, 2018. The maturity date for the note is three years after date of issuance. In addition, the lender received warrants to purchase 2,000 shares of common stock upon signing the promissory note. The warrant can be exercised at a price per share equal to a 15% discount from the price of common stock on the last trading day before such purchase. As of December 31, 2018, the balance outstanding was $10,000 and the accrued interest was $172.

On December 14, 2018, L2 Capital LLC purchased our note payable from Collier Investments, LLC. The total consideration was $371,250, including the outstanding note balance of $281,250, the accrued interest of $33,750, and liquidated damages of $56,250. There was also a default penalty of $153,123. In addition, we issued 400,000 shares of common stock to L2 Capital, LLC as commitment shares with a fair value of $21,200 in connection with the purchase of the note. We executed a convertible note with L2 Capital in the amount of $371,250 with an interest rate of 12% per annum. The maturity date of the note is December 22, 2018. The holder of the note can convert the note, or any portion of it, into shares of common stock at any time after the issuance date. The conversion price is 65% of the market price, which is defined as the lowest trading price for our common stock during the 20-trading-day period prior to the conversion date. As of December 31, 2018, we have recorded a debt discount of $371,250 for the fair value of derivative liability and fully amortized the debt discount. On December 31, 2018, the outstanding balance was $524,373, which includes a default penalty, and the accrued interest was $4,183. This note is in default.

The following convertible note and notes payable were outstanding at December 31, 2018:

								Related Party		Non Related Party	
Date of Issuance	Maturity Date	Interest Rate	In Default	Original Principal	Principal at December 31, 2018	Discount at December 31, 2018	Carrying Amount at December 31, 2018	Current	Long-Term	Current	Long-Term
12/12/06	01/05/13	6.25%	Yes	58,670	9,379	-	9,379	-	-	9,379	-
12/01/07	09/01/15	7.00%	Yes	125,000	85,821	-	85,821	-	-	85,821	-
09/25/09	10/25/11	5.00%	Yes	50,000	50,000	-	50,000	-	-	50,000	-
12/23/09	12/23/14	7.00%	Yes	100,000	94,480	-	94,480	-	-	94,480	-
12/23/09	12/23/14	7.00%	Yes	25,000	23,619	-	23,619	-	-	23,619	-
12/23/09	12/23/14	7.00%	Yes	25,000	23,620	-	23,620	-	-	23,620	-
02/10/18	12/31/18	10.00%	Yes	1,000,000	1,000,000	-	1,000,000		-	1,000,000	-
08/15/13	10/31/23	10.00%	No	525,000	158,334	-	158,334	-	-	-	158,334
12/31/13	12/31/15	8.00%	Yes	290,000	130,000	-	130,000	-	-	130,000	-
04/01/14	12/31/18	10.00%	Yes	2,265,000	1,102,500	-	1,102,500	1,102,500	-	-	-
12/22/14	03/31/15	22.00%*	Yes	200,000	200,000	-	200,000	-	-	200,000	-
12/26/14	12/26/15	22.00%*	Yes	100,000	100,000	-	100,000	-	-	100,000	-
03/12/15	(1)	6.00%	No	394,380	394,380	-	394,380	394,380	-	-	-
04/07/15	04/17/19	10.00%	Yes	50,000	50,000	-	50,000	-	-	50,000	-
11/23/15	(1)	6.00%	No	50,000	50,000	-	50,000	50,000	-	-	-
02/25/16	(1)	6.00%	No	50,000	50,000	-	50,000	50,000	-	-	-
05/20/16	(1)	6.00%	No	50,000	50,000	-	50,000	50,000	-	-	-
10/20/16	(1)	6.00%	No	50,000	12,500	-	12,500	12,500	-	-	-
10/20/16	(1)	6.00%	No	12,500	12,500	-	12,500	12,500	-	-	-
12/21/16	(1)	6.00%	No	25,000	25,000	-	25,000	25,000	-	-	-
03/09/17	(1)	10.00%	No	200,000	177,000	-	177,000	177,000	-	-	-
07/13/17	07/13/19	6.00%	No	25,000	25,000	-	25,000	-	-	25,000	-
07/18/17	07/18/19	6.00%	No	25,000	25,000	-	25,000	-	-	25,000	-
07/26/17	07/26/19	6.00%	No	15,000	15,000	-	15,000	-	-	15,000	-
07/27/17	07/27/19	6.00%	No	15,000	15,000	-	15,000	-	-	15,000	-
12/20/17	(2)	10.00%	Yes**	979,156	979,156	24,435	954,721	-	-	954,721	-
11/06/17	12/31/18	10.00%	Yes	646,568	612,093	-	612,093	612,093	-	-	-
02/19/18	(3)	18.00%*	Yes	629,451	629,451	-	629,451	-	-	629,451	-
09/19/18	09/28/21	6.00%	No	10,000	10,000	-	10,000	-	-	-	10,000
12/14/18	12/22/18	24.00%*	Yes	524,373	524,373	-	524,373	-	-	524,373	-
	Totals			**$ 8,515,098**	**$ 6,634,206**	**$ 24,435**	**$ 6,609,771**	**$ 2,485,973**	**$ -**	**$ 3,955,464**	**$ 168,334**

(1) Maturity date is 90 days after demand.

(2) Bridge loans were issued at dates between December 2017 and May 2018. Principal is due on the earlier of 18 months from the anniversary date or the completion of L2 financing with a gross proceeds of a minimum of $1.5 million.

(3) L2 - Note was drawn down in five traunches between 02/16/18 and 05/02/18.

** Partially in default as of December 31, 2018

* Default interest rate

The following convertible notes and notes payable were outstanding at December 31, 2017:

								Related Party		Non Related Party	
Date of Issuance	Maturity Date	Interest Rate	In Default	Original Principal	Principal at December 31, 2017	Discount at December 31 2017	Carrying Amount at December 31, 2017	Current	Long-Term	Current	Long-Term
12/12/06	01/05/13	6.25%	Yes	58,670	12,272	-	12,272	-	-	12,272	-
12/01/07	09/01/15	7.00%	Yes	125,000	85,821	-	85,821	-	-	85,821	-
09/25/09	10/25/11	5.00%	Yes	50,000	50,000	-	50,000	-	-	50,000	-
12/23/09	12/23/14	7.00%	Yes	100,000	94,480	-	94,480	-	-	94,480	-
12/23/09	12/23/14	7.00%	Yes	25,000	23,619	-	23,619	-	-	23,619	-
12/23/09	12/23/14	7.00%	Yes	25,000	23,620	-	23,620	-	-	23,620	-
02/03/12	12/31/18	10.00%	No	1,000,000	1,000,000	-	1,000,000	1,000,000	-	-	-
08/15/13	10/31/23	10.00%	No	525,000	158,334	-	158,334	-		-	158,334
12/31/13	12/31/15	8.00%	Yes	290,000	130,000	-	130,000	130,000	-	-	-
04/01/14	12/31/18	10.00%	No	2,265,000	1,137,500	-	1,137,500	1,137,500	-	-	-
12/22/14	03/31/15	22.00%*	Yes	200,000	200,000	-	200,000	-	-	200,000	-
12/26/14	12/26/15	22.00%*	Yes	100,000	100,000	-	100,000	-	-	100,000	-
03/12/15	(1)	6.00%	No	394,380	394,380	-	394,380	394,380	-	-	-
04/07/15	04/07/18	10.00%	No	50,000	50,000	-	50,000	-	-	50,000	
11/23/15	(1)	6.00%	No	50,000	50,000	-	50,000	50,000	-	-	-
02/25/16	(1)	6.00%	No	50,000	50,000	-	50,000	50,000	-	-	-
05/20/16	(1)	6.00%	No	50,000	50,000	-	50,000	50,000	-	-	-
10/20/16	(1)	6.00%	No	50,000	12,500	-	12,500	12,500	-	-	-
10/20/16	(1)	6.00%	No	12,500	12,500	-	12,500	12,500	-	-	-
12/21/16	(1)	6.00%	No	25,000	25,000	-	25,000	25,000	-	-	-
03/09/17	(1)	10.00%	No	200,000	177,000	-	177,000	177,000	-	-	-
07/13/17	07/13/19	6.00%	No	25,000	25,000	-	25,000	-	-	-	25,000
07/18/17	07/18/19	6.00%	No	25,000	25,000	-	25,000	-	-	-	25,000
07/26/17	07/26/19	6.00%	No	15,000	15,000	-	15,000	-	-	-	15,000
07/27/17	07/27/19	6.00%	No	15,000	15,000	-	15,000	-	-	-	15,000
12/20/17	(2)	10.00%	No	490,000	490,000	41,044	448,956	-	-	-	448,956
11/06/17	(3)	10.00%	No	646,568	641,568	-	641,568	641,568	-	-	-
	Totals				**$ 5,048,594**	**$ 41,044**	**$ 5,007,550**	**$ 3,680,448**	**$ -**	**$ 639,812**	**$ 687,290**

(1) Maturity date is 90 days after demand.
(2) Bridge loans were issued at dates between December 2017 and May 2018. Principal is due on the earlier of 18 months from the anniversary date or the completion of L2 financing with a gross proceeds of a minimum of $1.5 million.
(3) Principal and accrued interest will be due and payable at the earliest of A) resolution of Memphis litigation; B) December 31, 2018 , or C) when OTE is able to pay.
* Default interest rate.

Maturities of Long-Term Obligations for Five Years and Beyond

The minimum principal payments of convertible notes and notes payable at December 31, 2018:

2019	$ 6,441,437
2020	-
2021	10,000
2022 and thereafter	158,334
Total	$ 6,609,771

NOTE 5 – DERIVATIVE LIABILITY

We measure the fair value of our assets and liabilities under the guidance of ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements, but its provisions apply to all other accounting pronouncements that require or permit fair value measurement.

On August 19, 2018, the note issued to L2 Capital on February 19, 2018, went into default. In accordance with the terms of the note, at any time on or after the occurrence of any event of default, the conversion price per share would adjust to the lesser of $0.50 or 65% multiplied by the lowest volume weighted average price of the common stock during the 20-trading-day period ending, in L2 Capital's sole discretion on each conversion, on either the last complete trading day prior to the conversion date or the conversion date. We identified conversion features embedded within convertible debt issued. We have determined that the features associated with the embedded conversion option should be accounted for at fair value as a derivative liability. We have elected to account for these instruments together with fixed conversion price instruments as derivative liabilities as we cannot determine if a sufficient number of shares would be available to settle all potential future conversion transactions.

Following is a description of the valuation methodologies used to determine the fair value of our financial liabilities, including the general classification of such instruments pursuant to the valuation hierarchy:

	Fair value at December 31, 2018	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative Liability	$ 2,292,254	$ -	$ -	$ 2,292,254

The tables below set forth a summary of changes in fair value of our Level 3 financial liabilities for the year ended December 31, 2018. The tables reflect changes for all financial liabilities at fair value categorized as Level 3 as of December 31, 2018:

	Derivative Liability
Derivative liability as of December 31, 2017	$ -
Fair value at the commitment date for convertible instruments	1,690,124
Change in fair value of derivative liability	759,603
Reclassification to additional paid-in capital for financial instruments that ceased to be a derivative liability	(157,473)
Derivative liability as of December 31, 2018	$ 2,292,254

	Change in Fair Value of Derivative Liability*
Change in fair value of derivative liability at the beginning of year	$ -
Day one gains/(losses) on valuation	441,865
Gains/(losses) from the change in fair value of derivative liability	764,992
Change in fair value of derivative liability at the end of year	$ 1,206,857

* Gains/(losses) related to the revaluation of Level 3 financial liabilities is included in "Change in fair value of derivative liability" in the accompanying consolidated audited statement of operations.

The fair value of the derivative liability was estimated using the income approach and the Black-Scholes option-pricing model. The fair values at the commitment and remeasurement dates for our derivative liabilities were based upon the following management assumptions:

	Commitment Date	Remeasurement Date**
Expected dividends	0%	0%
Expected volatility	81% to 503%	87% to 515%
Risk free interest rate	2.05% to 3.07%	2.19% to 2.60%
Expected term (in years)	0.25 to 5.0	0.23 to 4.81

** The fair value at the remeasurement date is equal to the carrying value on the balance sheet.

NOTE 6 – STOCKHOLDERS' EQUITY

Common Stock

For the year ended December 31, 2017, individuals exercised Series D warrants to purchase 998,079 shares of common stock at a price of $0.75 per share for cash totaling $748,535. These warrants were related to the BBNA merger.

For the year ended December 31, 2017, we issued 2,173,517 shares of common stock for services performed with a fair value of $2,388,478.

For the year ended December 31, 2017, we issued 1,714,285 shares of common stock to L2 Capital, LLC with a fair value of $514,286 under the equity purchase agreement.

For the year ended December 31, 2017, we issued 11,250 shares of common stock pursuant to our private placement memorandum with a fair value of $45,000 ($4.00 per share).

As part of the Merger, 94,343,776 shares of common stock were issued to the shareholders of OTE in exchange for common stock in the merged company.

As a part of our agreement with the Memphis Investors, the board repriced 14,792,500 warrants and 100,000 options to $0.00 per share, the Memphis Investors exercised the warrants and options, and we issued 14,792,500 shares of common stock. These warrants had a fair value of $6,769,562. Per ASC Topic 718, this exchange is treated as a modification. The incremental value of $6,769,562 measured as the excess of the fair value of the modified award over the fair value of the original award immediately before the modification using the Black-Scholes option pricing model was expensed fully when they were exercised.

On May 8, 2017, JPF Venture Group, Inc., an investment entity that is majority-owned by our director, chief executive officer, and chief financial officer, transferred 148,588 shares of common stock for $111,440 to us to fulfill an overcommitment of Series D warrants.

On May 9, 2017, we issued 536,490 shares of common stock to the former shareholders of TetriDyn Solutions, Inc. for the assumption of $617,032 of accrued expenses and $1,015,506 of convertible notes and notes payable from related and unrelated parties. We recorded a debit of $1,628,026 to additional paid-in capital as part of the recapitalization.

On June 5, 2017, a note holder elected to convert a $25,000 convertible note payable for 1,806,298 shares of common stock ($0.014 per share).

On June 29, 2017, the board of directors approved a stock bonus for our chief executive officer and and our senior financial advisor of 258,476 and 150,590 shares of common stock, respectively, at fair value of $920,399. These shares were issued on November 1, 2017.

On August 3, 2017, we entered into a compensation agreement with our former legal counsel wherein we agreed to pay an outstanding legal bill in the amount of $197,950 by issuance of 65,000 shares covered by a registration statement on Form S-8, filed with the Securities and Exchange Commission on August 25, 2017. The former legal counsel may, at any time and from time to time following the filing of the Form S-8, elect to call for the issuance of shares as payment for the outstanding legal bill. As the shares are sold into the market, the outstanding balance will be reduced. On October 17, 2017, we issued 65,000 shares of common stock pursuant to the agreement with a fair value of $146,250. As of December 31, 2017, our former legal counsel had sold 704 shares with total proceeds of $1,133. As of December 31, 2017, the fair value of the 64,296 shares of common stock was $20,575 and $124,542 was recorded as a change in fair value of liability. As of December 31, 2018, our former legal counsel has sold the remaining 64,296 shares with total proceeds of $14,367. The legal fees balance of $182,450 remains outstanding as of December 31, 2018.

On August 15, 2017, Series B note holders elected to convert $316,666 in notes payable for 316,666 shares of common stock at a conversion rate of $1.00. In addition, they converted accrued interest in the amount of $120,898 for 120,898 shares of common stock. The shares were recorded at fair value of $1,165,892. We recorded a loss on the settlement of debt of $728,328 on the conversion date.

On August 15, 2017, Clean Energy note holders elected to convert $166,800 in notes payable for 139,000 shares of common stock at a conversion rate of $1.20. In addition, they converted accrued interest in the amount of $48,866 for 40,722 shares of common stock.

On August 15, 2017, Jeremy P. Feakins & Associates, LLC, an investment entity that is majority-owned by our director, chief executive officer, and chief financial officer, elected to convert $618,500 in notes payable for 618,500 shares of common stock at a conversion rate of $1.00. In addition, it converted accrued interest in the amount of $207,731 for 207,731 shares of common stock.

On September 8, 2017, JPF Venture Group, Inc., an investment entity that is majority-owned by our director, chief executive officer, and chief financial officer, elected to convert $50,000 in notes payable for 3,612,596 shares of common stock at a conversion rate of $0.014. In addition, it converted accrued interest in the amount of $6,342 for 458,198 shares of common stock.

We entered into a settlement agreement to convert an outstanding payable balance totaling $180,000 into 360,000 shares of common stock. The shares were recorded at fair value of $556,875. We recorded a loss on settlement of debt of $376,875 on settlement date.

On November 8, 2017, Jeremy P. Feakins & Associates LLC, an investment entity that is majority-owned by our director, chief executive officer, and chief financial officer, elected to convert $50,000 of Series B notes payable into 50,000 shares of common stock at a conversion rate of $1.00. In addition, accrued interest of $16,263 was converted into 16,263 shares of common stock.

For the year ended December 31, 2018, we issued 673,345 shares of common stock for services performed with a fair value of $138,986.

For the year ended December 31, 2018, we issued 2,300,000 shares of common stock for financing to L2 Capital with a fair value of $106,905 in cash, net of offering cost.

For the year ended December 31, 2018, we issued 4,000,000 shares of common stock to L2 Capital for the conversion of a portion of our notes payable to L2 Capital in the amount of $114,078.

For the year ended December 31, 2018, note holders elected to exercise warrants to purchase 39,000 shares of common stock for $9,520 in cash.

For the year ended December 31, 2018, we sold 984,352 shares of common stock for $58,980 in cash. This includes 240,840 shares of common stock for $10,000 that were issued to our chief executive officer and an independent director.

For the year ended December 31, 2018, we issued 400,000 shares to L2 Capital as a commitment fee for $21,200 to purchase our outstanding note payable from Collier Investments LLC.

Warrants and Options

We used the following assumptions for options during the year ended December 31, 2018:

Expected volatility:	462% - 509%
Expected lives:	3 years
Risk-free interest rate:	2.01% - 2.85%
Expected dividend yield:	None

We used the following assumptions for options during the year ended December 31, 2017:

Expected volatility:	485%
Expected lives:	3 Years
Risk-free interest rate:	1.98% - 2.01%
Expected dividend yield:	None

During 2012, we issued warrants to purchase 1,075,000 shares of common stock in conjunction with Series A notes payable that were exercisable at a price of $3.00 per share and expired on March 31, 2017. The warrants were fully exercised at $0.00 per share upon board of directors' approval during the year ended December 31, 2017.

During 2013, we issued warrants to purchase 105,000 shares of common stock in conjunction with Series B notes payable that were exercisable at a price to be determined pursuant to a specified formula. Effective July 21, 2014, our common stock was approved for listing on the GXG Markets First Quote platform with an $0.85 per share price, establishing a price of $0.68 per share for the warrants and making them all exercisable. The warrants were fully exercised at $0.00 per share upon board of directors' approval during the year ended December 31, 2017.

During 2013, we issued warrants to purchase 300,000 shares of common stock, with an exercise price equal to the greater of a 50% discount of the stock price at our initial public offering of shares or $0.425 per share (subject to adjustment), in conjunction with a note payable to Jeremy P. Feakins & Associates, LLC, an entity owned by our chief executive officer, in the amount of $100,000. Effective July 21, 2014, we were approved for listing on the GXG Markets First Quote platform with an $0.85 per share price, establishing a price of $0.425 per share for the warrants and making them all exercisable. The warrants were fully exercised at $0.00 upon board of directors' approval during the year ended December 31, 2017.

As part of the merger with BBNA, we assumed outstanding warrants to purchase 10,000,000 shares of common stock with an expiration date of December 31, 2018. These warrants are grouped into five tranches of 2,000,000 shares. The pricing for each tranche was as follows: Series A and Series B were $0.50 per share; Series C was $0.75 per share; Series D was $1.00 per share; and Series E was $1.25 per share. During 2014, 5,786,635 of these warrants were exercised and 1,157,989 were exercised during 2015. In addition, we repriced the Series D warrants to $0.75 per share and Series E warrants to $0.50 per share. During the year ended December 31, 2017, 998,079 were exercised.

During 2014, we issued warrants to purchase 12,912,500 shares of common stock, with an exercise price of $0.425 per share (subject to adjustment) in conjunction with a note payable to Jeremy P. Feakins & Associates, LLC, an entity owned by our chief executive officer, in the amount of $2,265,000. On April 4, 2016, the note holder agreed to amend the note to extend the due date of the note to December 31, 2017. We did not modify the terms of the warrants. The warrants were fully exercised at $0.00 per share upon board of directors' approval during the year ended December 31, 2017.

During 2014, we issued warrants to purchase 300,000 shares of common stock, with an exercise price of $1.00 per share and an expiration date of December 31, 2018, in conjunction with notes payable to individuals, including a then-related party, in the amount of $300,000. The warrants were fully exercised at $0.00 per share upon board of directors' approval during the year ended December 31, 2017.

The following table summarizes all warrants outstanding and exercisable for the years ended December 31, 2018 and 2017:

Warrants	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2016	15,912,210	$ 0.76
Granted	134,000	*
Exercised	(998,079)	$ 0.31
Exercised (re-priced to $0.00)	(14,692,500)	$ 0.00
Forfeited	(221,631)	$ 0.00
Balance at December 31, 2017	134,000	$ 0.76
Granted	255,073	$ 0.21
Exercised	(39,000)	$ 0.24
Forfeited	-	$ 0.00
Balance at December 31, 2018	350,073	$ 0.18
Exercisable December 31, 2018	350,073	$ 0.18

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*Discount of 15% of CPWR closing price on OTCQB the day before the warrant is exercised.

The aggregate intrinsic value represents the excess amount over the exercise price that optionees would have received if all options had been exercised on the last business day of the period indicated, based on our closing stock price of $0.06 per share on December 31, 2018. The intrinsic value of warrants to purchase 350,073 shares on that date was $3,408.

During the year ended December 31, 2018, we issued warrants to purchase 125,073 shares of our common stock, none of which has been exercised, to Craft Capital Management, LLC, as a finder's fee for debt and equity transactions between L2 Capital and us.

As of December 31, 2017, we issued warrants to purchase 134,000 shares of our common stock to note holders. During 2018, we issued additional warrants to purchase 128,000 shares of our common stock (see Note 4). During 2018, the note holders elected to exercise warrants and purchase 39,000 shares of common stock for $9,520 in cash (see Note 6). As of December 31, 2018, we have outstanding warrants to purchase 223,000 shares of our common stock.

On, January 1, 2015, we issued to our independent director, who was then vice president shareholder relations, three-year options to purchase an aggregate of 100,000 shares of common stock at $0.75 per share, which would expire on January 1, 2018. The options vest in four segments of 25,000 shares per quarter commencing on: March 31, 2015; June 30, 2015; September 30, 2015, and December 31, 2015. We calculated the fair value of the options by using the Black-Scholes option-pricing model with the following weighted average assumptions: no dividend yield for all the years; expected volatility of 54%; risk-free interest rate of 0.25%; and an expected life of one year. The fair value of the options was $22,440 or $0.2244 per option. These options were fully exercised at $0.00 upon approval by our board of directors during the year ended December 31, 2017.

The following table summarizes all options outstanding and exercisable for the years ended December 31, 2018 and 2017:

	Number of Options	Weighted Average Exercise Price
Balance at December 31, 2016	100,000	$ 0.75
Granted	-	-
Exercised	(100,000)	$ 0.75
Forfeited	-	-
Balance at December 31, 2017	-	-
Granted	-	-
Exercised	-	-
Forfeited	-	-
Balance at December 31, 2018	**-**	**-**
Exercisable December 31, 2018	**-**	**-**

NOTE 7 – INCOME TAX

The Jobs Act significantly revised the U.S. corporate income tax law by lowering the corporate federal income tax rate from 35% to 21%.

Our ability to use our net operating loss carryforwards may be substantially limited due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Code, as well as similar state provisions. These ownership changes may limit the amount of net operating loss that can be utilized annually to offset future taxable income and tax, respectively. In general, an “ownership change” as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50.0% of the outstanding stock of a company by certain stockholders or public groups.

We have not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since we became a “loss corporation” under the definition of Section 382. If we have experienced an ownership change, utilization of the net operating loss carryforwards would be subject to an annual limitation under Section 382 of the Code, which is determined by first multiplying the value of our stock at the time of the ownership change by the applicable long-term, tax-exempt rate, and then could be subject to additional adjustments, as required. Any limitation may result in expiration of a portion of the net operating loss carryforwards before utilization. Further, until a study is completed, and any limitation known, no positions related to limitations are being considered as an uncertain tax position or disclosed as an unrecognized tax benefit. Any carryforwards that expire prior to utilization as a result of such limitations will be removed from deferred tax assets with a corresponding reduction of the valuation allowance. Due to the existence of the valuation allowance, it is not expected that any possible limitation will have an impact on our results of operations or financial position.

A reconciliation of income tax expense and the amount computed by applying the statutory federal income tax rate of 18.9% to the income before provision for income taxes is as follows:

	For the Years Ended December 31	
	2018	2017
Statutory rate applied to loss before income taxes	$ (2,276,031)	$ (5,903,355)
Increase (decrease) in income taxes results from:		
Nondeductible permanent differences	806,885	4,446,014
Change in tax rate estimates	-	3,566,781
Change in valuation allowance	1,469,146	(2,109,440)
Income tax expense (benefit)	$ -	$ -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities are as follows:

	For the Years Ended December 31	
	2018	2017
Depreciation and impairment	$ 2,358,860	$ 2,100,958
Operating loss carryforwards	7,917,151	6,705,907
Gross deferred tax assets	10,276,011	8,806,865
Valuation allowance	(10,276,011)	(8,806,865)
Net deferred income tax asset	$ -	$ -

We have net operating loss carryforwards for income tax purposes of approximately $27,400,000. This loss is allowed to be offset against future income. The tax benefits relating to all timing differences have been fully reserved for in the valuation allowance account due to the substantial losses incurred through December 31, 2018. The change in the valuation allowance for the years ended December 31, 2018 and 2017 was an increase (decrease) of $1,469,146 and $(2,109,440), respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Commitments

On December 11, 2017, we entered into an equity purchase agreement with L2 Capital, LLC, for up to $15,000,000. As provided in the agreement, we may require L2 Capital to purchase shares of common stock from time to time by delivering a “put” notice to L2 Capital specifying the total number of shares to be purchased. L2 Capital will pay a purchase price equal to 85% of the “market price,” which is defined as the lowest traded price on the OTCQB marketplace during the five consecutive trading days following the “Put Date,” or the date on which the applicable shares are delivered to L2 Capital. The number of shares may not exceed 300% of the average daily trading volume for our common stock during the five trading days preceding the date on which we deliver the applicable put notice. Additionally, such amount may not be lower than $10,000 or higher than $1,000,000. L2 Capital has no obligation to purchase shares under this agreement to the extent that such purchase would cause L2 Capital to own more than 4.99% of our common stock.

Upon the execution of this agreement, we issued 1,714,285 shares of common stock valued at $514,286 as a commitment fee in connection with the agreement. The shares to be issued pursuant to this agreement were covered by a Registration Statement on Form S-1 effective on January 29, 2018. During the year ended December 31, 2018, we executed 12 put options for L2 Capital to purchase 2,300,000 shares of common stock.

On June 26, 2017, we entered a nonexclusive finder’s arrangement with Craft Capital Management LLC (“Craft”) in the event that proceeds with a debt or equity transaction or to finance a merger/acquisition or another transaction are arranged by Craft. We have no obligation to consummate any transaction, and we can choose to accept or reject any transaction in our sole and absolute discretion. Upon the successful completion of a placement, we will pay to Craft 8% of the gross proceeds from an equity placement and 3% for a debt placement. In addition, we will issue to Craft, at the time of closing, warrants with an aggregate exercise price equal to 3% of the amount raised. These warrants have a fair value of $13,280 based on the Black-Scholes option-pricing model. The warrants have an exercise price ranging from $0.0425 to $0.25 per share and are exercisable for a period of five years after the closing of the placement. If we, at any time while these warrants are outstanding, sell, grant any option to purchase or sell, grant any right to reprice, or otherwise dispose of or issue any common stock or securities entitling any person or entity to acquire shares of common stock, at an effective price per share less than the then-exercise price, then the exercise price will be reduced to equal the lower share price, at the option of Craft. Such adjustment will be made whenever such common stock is issued. We will notify Craft in writing, no later than the trading day following the issuance of any common stock, of the applicable issuance price or applicable reset price, exchange price, conversion price, and other pricing terms. As of December 31, 2018, we have issued to Craft warrants to purchase 125,073 shares of common stock, none of which has been exercised, as a finder’s fee for debt and equity transactions between L2 Capital and us.

On August 7, 2018, we signed a non-binding letter of intent proposing to acquire a heavy-duty commercial air conditioning company. We believe that the acquisition will help support our existing projects and enable us to enter new markets. Closing is subject to additional due diligence, the negotiation of definitive agreements, satisfaction of agreed conditions, and financing. We continue to focus our efforts on satisfying the above conditions.

Litigation

From time to time, we are involved in legal proceedings and regulatory proceedings arising from operations. We establish reserves for specific liabilities in connection with legal actions that management deems to be probable and estimable.

On May 4, 2018, we reached a settlement of the claims at issue in *Ocean Thermal Energy Corp. v. Robert Coe, et al.* , Case No. 2:17-cv-02343SHL-cgc, before the United States District Court for the Western District of Tennessee. On August 8, 2018, an $8 million judgment was entered against the defendants and in our favor. We have reason to believe the defendants have adequate assets to satisfy this judgment in full. The collection process is ongoing. Between May 30 and July 19, 2018, we received three payments totaling $100,000 from the defendants.

NOTE 9 – CONSULTING AGREEMENTS

For the year ended December 31, 2018, we issued 673,345 shares of common stock for services performed with a fair value of $138,986.

On June 4, 2018, we entered into a consulting agreement to pay 20,000 shares of common stock when one of the conditions of the contract was satisfied. Although this condition was satisfied on August 31, 2018, we have not issued the shares. As of December 31, 2018, we have accrued the share compensation at fair value totaling $1,600.

On August 14, 2018, we entered into a consulting agreement to pay $40,000 by issuing shares of common stock. As of December 31, 2018, we have not issued the shares and have accrued the amount.

NOTE 10 – EMPLOYMENT AGREEMENTS

On January 1, 2011, we entered into a five-year employment agreement with our chief executive officer, which provides for successive one-year term renewals unless it is expressly cancelled by either party 100 days prior to the end of the term. Under the agreement, our chief executive officer will receive an annual salary of $350,000, a car allowance of $12,000, and company-paid health insurance. The agreement also provides for bonuses equal to one times his annual salary plus 500,000 shares of common stock for each additional project that generates $25 million or more in revenue to us. Our chief executive officer is entitled to receive severance pay in the lesser amount of three years' salary or 100% of the remaining salary if the remaining term is less than three years.

On June 29, 2017, the board of directors approved extending the employment agreements for the chief executive officer and the senior financial advisor for an additional five years. The salary and other compensation were increased to account for inflation since the original employment agreements were executed and became effective June 30, 2017. These modifications were never reduced to writing.

NOTE 11 – RELATED-PARTY TRANSACTIONS

For the years ended December 31, 2018 and 2017, we paid rent of $120,000 and $95,000, respectively, to a company controlled by our chief executive officer under an operating lease agreement.

On January 18, 2018, Jeremy P. Feakins & Associates, LLC, an investment entity owned by our chief executive, chief financial officer, and a director, agreed to extend the due date for repayment of a $2,265,000 note issued in 2014 to the earlier of December 31, 2018, or the date of the financial closings of our Baha Mar project (or any other project of $25 million or more), whichever occurs first. On August 15, 2017, principal of $618,500 and accrued interest of $207,731 were converted to 826,231 shares at $1.00 per share, which was ratified by a disinterested majority of the board of directors. The conversion was recorded at historical cost due to the related-party nature of the transaction. For the year ended December 31, 2018, we repaid $35,000. As of December 31, 2018, the note balance was $1,102,500 and the accrued interest was $511,818. This note is in default.

During the year ended December 31, 2017, we made a repayment of note payable to a related party in the amount of $64,432.

On March 9, 2017, we issued a promissory note payable of $200,000 to a related party in which our chief executive officer is an officer and director. The note bears interest of 10% and is due and payable within 90 days after demand. During the year ended December 31, 2017, we received an additional $2,000 and repaid $25,000. The outstanding balance was $177,000 and accrued interest was $32,851 as of December 31, 2018.

On May 8, 2017, JPF Venture Group. Inc., an investment entity that is majority-owned by Jeremy Feakins, our director, chief executive officer, and chief financial officer transferred 148,558 shares of common stock for $111,440 to us to fulfill an over commitment of "D'" warrants.

On June 5, 2017, a note holder and a shareholder elected to convert a $25,000 convertible note payable for 1,806,298 shares of common stock ($0.014 per share).

On September 8, 2017, JPF Venture Group, Inc., an investment entity that is majority-owned by our director, chief executive officer, and chief financial officer elected to convert $50,000 in notes payable for 3,612,596 shares of common stock at a conversion rate of $0.014 per share. In addition, accrued interest in the amount of $6,342 was converted to 458,198 shares.

On November 6, 2017, we entered into an agreement and promissory note with JPF Venture Group, Inc. to loan up to $2,000,000 to us. The terms of the note are as follows: (i) interest is payable at 10% per annum; (ii) all unpaid principal and all accrued and unpaid interest is due and payable at the earliest of resolution of the Memphis litigation (as defined therein), December 31, 2018, or when we are otherwise able to pay. As of December 31, 2018, the outstanding balance was $612,093 and the accrued interest was $80,568. For the year ended December 31, 2018 and 2017, we repaid $29,474 and $39,432, respectively. On September 30, 2018, the note was amended to extend the maturity date to the earliest of a resolution of the Memphis litigation, December 31, 2018, or when we are otherwise able to pay. This note is in default.

On November 8, 2017, Jeremy P. Feakins & Associates. LLC, an investment entity that is majority-owned by Jeremy Feakins, our director, chief executive officer and chief financial officer, a Series B note holder, elected to convert $50,000 in notes payable for 50,000 shares of common stock at a conversion rate of $1.00. In addition it converted accrued interest in the amount of $16,263 for 16,263 shares.

We remain liable for the loans made to us by JPF Venture Group, Inc. before the 2017 Merger. As of December 31, 2018, the outstanding balance of these loans was $581,880 and the accrued interest was $125,381. All of these notes are in default.

In December 2018, Jeremy P. Feakins, our chief executive officer, made two advances to us totaling $4,600. The total amount was repaid on January 23, 2019.

For the year ended December 31, 2018, we sold 240,840 shares of common stock for $10,000 in cash to our chief executive officer and an independent director.

On October 20, 2016, we borrowed $12,500 from an independent director pursuant to a promissory note. The terms of the note are as follows: (i) interest is payable at 6% per annum; (ii) the note is payable 90 days after demand; and (iii) the payee is authorized to convert part or all of the note balance and accrued interest, if any, into shares of our common stock at the rate of one share for each $0.03 of principal amount of the note. This conversion share price was adjusted to $0.01384 for the reverse stock splits. As of December 31, 2018, the outstanding balance was $12,500, plus accrued interest of $1,754.

NOTE 12 – SUBSEQUENT EVENTS

On January 2, 2019, we initiated a promissory note agreement pursuant to which we issued a series of promissory notes in the amount of $10,000 to accredited investors. Proceeds from these notes will be used to support the administrative and legal expenses of our lawsuit before the United District Court for the Western District of Tennessee: *Ocean Thermal Energy Corporation v. Robert Coe, el al.,* Case No. 2:17-cv-02343SHL-cgc; and any subsequent actions brought about as a result of or in connection with this litigation. These notes are secured against the proceeds from the litigation. The notes bear an interest rate of 17%, plus one quarter of one percent of the actual funds received from the litigation. The repayment of the principal, accrued interest, and the percentage of the litigation funds received will be paid immediately following the receipt of sufficient funds from this litigation. As of March 22, 2019, the outstanding balance of these loans is $290,000.

Subsequent to December 31, 2018, L2 Capital LLC exercised four loan conversions totaling $49,614 and was issued 1,800,000 shares.

On January 23, 2019, we repaid advances totaling $4,600 to Jeremy P. Feakins, our chief executive officer.

LEASE AGREEMENT

THIS LEASE, made this First day of March, 2015, by and between Queen Street Development Partners 1, LP of 1200 West Penn Grant Rd, Lancaster, Pennsylvania (hereinafter called Lessor) and TetriDyn Solutions, Inc., a Nevada Corporation (hereinafter called "Lessee"), with a current mailing address of 1651 Alvin Ricken Drive, Pocatello, ID 83201

W I T N E S S E T H

WHEREAS, Lessor is the owner of a certain parcel of land and building known and numbered as 800 South Queen Street, Lancaster, Pennsylvania; and

WHEREAS, Lessor desires to let and Lessee desires to take one workspace of the subject premises plus all certain furnishings and office equipment currently situate within said workspace upon the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, and the rent reserved to be paid by Lessee to Lessor, the parties, intending to be legally bound, agree as follows:

1. PREMISES/PROPERTY. Lessor hereby lets to Lessee, and Lessee hereby takes from Lessor, one workspace at 800 South Queen Street, Lancaster, Pennsylvania, together with all rights of ingress and egress within Lessor's building and all furnishings and office equipment currently situate within the said workspace (hereinafter called the "Leased Premises/Property").

2. TERM. The term of this Lease shall be one (1) year commencing March 1, 2015, and ending February 28, 2016. Unless either party shall give to the other written notice of termination in accordance with the provisions of Paragraph 15 of this Lease, the term hereof shall continue for a further period of one (1) year, and so on from year to year until terminated pursuant to the provisions hereof.

3. POSSESSION. Possession of the Leased Premises/Property by Lessee shall begin, and the rent provided for hereunder shall be payable from March 1, 2015, which date shall be the effective date of this Lease.

4. RENT. The rent due and owing for each month of Lessee's occupancy shall be Two Thousand Five Hundred Dollars ($2,500.00), due and payable in advance on the first day of each month. The first such monthly payment shall be due on March 1, 2015, and each succeeding payment shall be due on the first day of each succeeding month, without prior demand thereof by Lessor. Rent shall be payable at Lessor's place of business, or such other place as Lessor may direct from time to time.

5. UTILITIES AND SERVICES. Lessee agrees to pay for all utilities and other like services, including but limited to telephone, gas, electric, water, sewer rental, insurance, air conditioning, light, heat, power, trash removal and janitorial services which may be used, consumed or contracted for in connection with the Leased Premises/Property. Lessor shall not be responsible in any way in the event that the supply of utility service or services, or like service or services, is or are cut off by reason of any cause and Lessee does hereby release Lessor from any damage which may result to it by reason of any such failure. Should Lessee fail to pay for any such utilities or services or maintenance or insurance when due, Lessor shall have the right to pay the same, and the amount as paid shall be chargeable to Lessee as additional rent.

6. MAINTENANCE AND REPAIR. Lessee shall keep and maintain the Leased Premises/Property in good and serviceable repair and condition, natural wear and tear excepted. Lessee shall provide normal maintenance of the Leased Premises/Property during the term of this Lease, including lawn care and maintenance, snow removal, and janitorial service in order that the Leased Premises shall be maintained in a neat and clear condition at all times; and Lessee further agrees to provide janitorial supplies, paper towels, toilet paper, soap, cleaning materials and any other items necessary for the proper cleaning and maintenance of the interior of said Leased Premises. Interior decoration of the Leased Premises shall also be the responsibility of Lessee from and after the effective date hereof. Damage to the Leased Premises/Property occasioned by the negligence of Lessee, its agents, contractors, guests, sub-tenants or invitees shall be repaired or corrected by Lessee.

Lessor covenants and agrees that they will repair or correct any accident to, or defects in, the roof or other structural elements of the Leased Premises, or in the water or drain pipes, electric circuits, heating system or air conditioning system, with due diligence; Lessee will replace all office furniture, office equipment, electric fixtures, bulbs, lights, plumbing fixtures, or other parts or accessories of the building, broken or damaged by Lessee or by servants, employees or agents of Lessee; and Lessee hereby assumes all responsibility for the injury, or damages, to persons or property, caused by the use of any office furniture, office equipment, fixtures, apparatus or appliances, in, or upon the Leased Premises which are the subject of this Lease.

7. ALTERATIONS AND CHANGES. All additions to the Leased Premises by Lessee, including but not limited to furniture, furnishings, draperies, carpeting, lighting, telephone facilities, equipment, and wiring shall be provided at the sole cost and expense of Lessee. Except as hereinafter expressly provided, changes in original plans and alterations to the Leased Premises shall not be permitted without the prior written consent of Lessor and may, at Lessor's option, be performed under Lessor's control, although at all times at the cost of Lessee. Lessee may remove such alterations, additions, or improvements upon the termination hereof to the extent such removal can be accomplished without substantial damage to the Leased Premises.

8. QUIET ENJOYMENT. Lessor covenants to allow Lessee quiet and peaceably to enjoy possession of the Leased Premises, free from interference or interruption of Lessor or any other person claiming under or through Lessor.

9. USE OF THE PREMISES. Lessee hereby releases Lessor from any future liability for any and all injuries or damages which may be suffered by Lessee, its successors or assigns, in Lessee's use of the Leased Premises. Lessee covenants and agrees that it will bear, pay and discharge, when and as the same become due and payable, all judgments and lawful claims for damages or otherwise against Lessor arising from Lessee's use or occupancy of said Leased Premises, and will assume the burden and expense of defending all such suits, whether brought before the expiration of this Lease, or otherwise and will protect, indemnify and save harmless Lessor, their agents, servants, employees, heirs and personal representatives by reason of or on account of the use or misuse of the said Leased Premises hereby leased, or any part thereof, due to the negligence of Lessee, or of its agents, servants or employees.

10. DESTRUCTION OF THE PREMISES. In the event of damage to or destruction of the Leased Premises for whatever reason, Lessor shall have no obligation to rebuild the Leased Premises and this Lease shall thereupon terminate.

11. CONDEMNATION. In the event the Leased Premises or any substantial portion thereof are taken or sold pursuant to the exercise of the right of eminent domain by any authority having or claiming to have the same, this Lease shall thereupon terminate. In no event shall Lessee be entitled to or receive any part of the award or price paid to Lessor in connection therewith. Lessee hereby assigns to Lessor all such awards, compensation and agreed settlements and authorizes payment thereof by the condemnor directly to Lessor.

12. LESSOR'S RIGHT OF ENTRY. Lessee shall permit Lessor and their agents to enter into and upon said Leased Premises at all reasonable times for the purpose of inspecting the same, or for the purpose of showing the Leased Premises for sale or lease to third parties, or for the purpose of making repairs, alterations or additions to said building, or for any other reasonable business purpose without any rebate of rent to Lessee or damages for any loss of occupation or quiet enjoyment of the Leased Premises thereby occasioned.

13. DEFAULT. The following events shall constitute default hereunder:

(a) Nonpayment of rent for a period of thirty (30) days from its due date.

(b) Assignment by Lessee for the benefit of creditors, issuance of execution against Lessee, appointment of a receiver of the assets of Lessee, the filing for, by, or against Lessee of any action under the Federal Bankruptcy Act or comparable state or local legislation.

(c) Violation of any of the terms or conditions of this Lease.

(d) Abandonment of the Premises by Lessee.

14. LESSOR'S REMEDIES ON DEFAULT. Upon default by Lessee hereunder, Lessor may, without limiting their rights in law or in equity, forfeit and annul any unexpired portion of this Lease and enter upon and repossess the Leased Premises with or without process of law. Lessee agrees that upon Lessee=s default Lessor may, as liquidation damages, recover from Lessee an amount equal to one (1) year rent without mitigation by Lessor.

l5. TERMINATION. Either party may terminate this Lease at the end of the initial five (5) year term by giving ninety (90) days' advance written notice to the other party. In such event, this Lease shall expire on the last day of Lessee's term of occupancy and Lessee shall surrender, and the Lessor shall immediately be entitled to recover possession of the Leased Premises.

16. ASSIGNMENT AND SUBLETTING. Lessee shall not assign or sublet the Leased Premises or any part thereof without the written consent of Lessor.

17. WAIVER. The waiver by Lessor of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant or condition herein contained.

18. CONSTRUCTION. Paragraph headings are for convenience only and do not constitute a part of this Lease. This Lease is made and executed in the Commonwealth of Pennsylvania and shall be construed and enforced in accordance with the laws thereof.

19. NOTICES. All notices or other communication pursuant hereto to any party shall be deemed given when deposited in the United States mail, certified mail postage prepaid, return receipt requested, addressed to the parties at the last known address, or to such other addresses the parties may in writing direct.

20. ENTIRE AGREEMENT. This Lease contains the entire understanding between the parties hereto and supersedes any prior written or oral agreements between them respecting the within subject matter. There are no representations, agreements, arrangements, or understandings, oral or written, between or among the parties hereto relating to the subject matter of this Lease which are not fully expressed herein.

21. SUCCESSORS. Except as herein otherwise specified, this Lease shall legally benefit and bind the parties hereto, their respective heirs, beneficiaries, executors, personal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year first above written.

WITNESSES:

TetriDyn Solutions, Inc.

By: /s/ Peter Wolfson
Peter Wolfson, Director

Attest:

Queen Street Development Partners, 1 LP

By: /s/ Jeremy P. Feakins
Jeremy P. Feakins, Managing Partner

LEASE AMENDMENT

This Lease Amending Agreement dated June 1, 2017 between Queen Street Development Partners 1, LP (the "landlord") AND Ocean Thermal Energy Corporation (formerly TetriDyn Solutions, Inc.) (the "Tenant").

Background

A. The landlord and the Tenant entered into the Lease (the "Lease") dated March 1, 2015, for the premises located at 800 South Queen Street, Lancaster, PA 17603.

B. The Landlord and the Tenant desire to amend the Lease on the terms and conditions set forth in this lease amending agreement (the "Agreement").

C. This Agreement is the second amendment to the Lease.

In Consideration Of the Landlord and Tenant agreeing to amend their existing Lease, both parties agree to keep, perform, and fulfill the promises, conditions, and agreements below:

A. **Amendment** - The Lease is amended to increase the monthly rental from $5,000.00 per month to $10,000.00 per month beginning on June 1, 2017.

B. **No Other Changes** – Except as otherwise expressly provided in this agreement, all of the terms and conditions of the Lease remain unchanged and in full force and effect.

Landlord:	Queen Street Development Partners, 1 LP By: /s/ Jeremy P. Feakins Jeremy P. Feakins, Managing Partner
Tenant:	Ocean Thermal Energy Corporation (TetriDyn Solutions, Inc.) By: /s/ Peter Wolfson

LEASE AMENDMENT

This Lease Amending Agreement dated January 1, 2017 between Queen Street Development Partners I, LP (the "landlord") AND TetriDyn Solutions, Inc. (the "Tenant").

Background

A. The landlord and the Tenant entered into the Lease (the "Lease") dated March 1, 2015, for the premises located at 800 South Queen Street, Lancaster, PA 17603.

B. The Landlord and the Tenant desire to amend the Lease on the terms and conditions set forth in this lease amending agreement (the "Agreement").

C. This Agreement is the first amendment to the Lease.

In Consideration Of the Landlord and Tenant agreeing to amend their existing Lease, both parties agree to keep, perform, and fulfill the promises, conditions, and agreements below:

A. **Amendment** - The Lease is amended to increase the monthly rental from $2,500.00 per month to $5,000.00 per month beginning on January l, 2017.

B. **No Other Changes** - Except as otherwise expressly provided in this agreement, all of the terms and conditions of the Lease remain unchanged and in full force and effect.

Landlord: Queen Street Development Partners, 1 LP

By: /s/ Jeremy P. Feakins
Jeremy P. Feakins, Managing Partner

Tenant: Ocean Thermal Energy Corporation
(TetriDyn Solutions, Inc.)

By: /s/ Peter Wolfson

PROMISSORY NOTE

$200,000 **Lancaster, PA** **March 9, 2017**

FOR VALUE RECEIVED, the undersigned, OCEAN THERMAL ENERGY CORPORATION., a Delaware corporation ("Maker"), whose mailing address and principal office is 800 South Queen Street, Lancaster, PA 17603, USA, hereby promises to pay to JEREMY P. FEAKINS & ASSOCIATES LLC., a Delaware corporation ("Payee"), whose mailing address is 800 South Queen Street, Lancaster, PA 17603, up to the principal sum of TWO HUNDRED THOUSAND DOLLARS AND NO CENTS ($200,000), as represented by advances from time to time, in lawful money of the United States of America for payment of private debts, together with interest (calculated on the basis of the actual number of days elapsed but computed as if each year consisted of 360 days) on the unpaid principal balance from time to time outstanding at a rate, except as otherwise provided in this Note, of Ten percent (10%) per annum.

1. Payments. All unpaid principal and all accrued and unpaid interest shall be due and payable within 90 days after demand.

2. Time and Place of Payment. If any payment falls due on a day that is considered a legal holiday in the state of Delaware, Maker shall be entitled to delay such payment until the next succeeding regular business day, but interest shall continue to accrue until the payment is in fact made. Each payment or prepayment hereon must be paid at the office of Payee set forth above or at such other place as the Payee or other holder hereof may, from time to time, designate in writing.

3. Prepayment. Maker reserves the right and privilege of prepaying this Note in whole or in part, at any time or from time to time, upon 30 days' written notice, without premium, charge, or penalty. Prepayments on this Note shall be applied first to accrued and unpaid interest to the date of such prepayment, next to expenses for which Payee is due to be reimbursed under the terms of this Note, and then to the unpaid principal balance hereof

4. Default.

(a) Without notice or demand (which are hereby waived), the entire unpaid principal balance of, and all accrued interest on, this Note shall immediately become due and payable at Payee's option upon the occurrence of one or more of the following events of default ("Events of Default"):

(i) the failure or refusal of Maker to pay principal or interest on this Note within 10 days of when the same becomes due in accordance with the terms hereof;

(ii) the failure or refusal of Maker punctually and properly to perform, observe, and comply with any covenant or agreement contained herein, and such failure or refusal continues for a period of 30 days after Maker has (or, with the exercise of reasonable investigation, should have) notice hereof;

(iii) Maker shall: (1) voluntarily seek, consent to, or acquiesce in the benefit or benefits of any Debtor Relief Law (defined hereinafter); or (2) become a party to (or be made the subject of) any proceeding provided for by any Debtor Relief Law, other than as a creditor or claimant, that could suspend or otherwise adversely affect the Rights (defined hereinafter) of Payee granted herein (unless, in the event such proceeding is involuntary, the petition instituting same is dismissed within 60 days of the filing of same). "Debtor Relief Law" means the Bankruptcy Code of the United States of America and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar Laws from time to time in effect affecting the Rights of creditors generally. "Rights" means rights, remedies, powers, and privileges. "Laws" means all applicable statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of any state, commonwealth, nation, territory, possession, county, parish, municipality, or Tribunal. "Tribunal" means any court or governmental department, commission, board, bureau, agency, or instrumentality of the United States or of any state, commonwealth, nation, territory, possession, county, parish, or municipality, whether now or hereafter constituted and/or existing;

(iv) the failure to have discharged within a period of 30 days after the commencement thereof any attachment, sequestration, or similar proceeding against any of the assets of Maker, or the loss, theft, or destruction of, or occurrence of substantial damage to, a material part of the assets of Maker, except to the extent adequately covered by insurance; and

(v) Maker fails to pay any money judgment against it at least 10 days prior to the date on which any of Maker's assets may be lawfully sold to satisfy such judgment.

(b) If any one or more of the Events of Default specified above shall have happened, Payee may, at its option: (i) declare the entire unpaid balance of principal and accrued interest on this Note to be immediately due and payable without notice or demand; (ii) offset against this Note any sum or sums owed by Payee to Maker; (iii) reduce any claim to judgment; (iv) foreclose all liens and security interests securing payment thereof or any part thereof; and (v) proceed to protect and enforce its rights by suit in equity, action of law, or other appropriate proceedings, whether for the specific performance of any covenant or agreement contained in this Note, in aid of the exercise granted by this Note of any right, or to enforce any other legal or equitable right or remedy of Payee.

5. Cumulative Rights. No delay on Payee's part in the exercise of any power or right, or single partial exercise of any such power or right, under this Note or under any other instrument executed pursuant hereto shall operate as a waiver thereof. Enforcement by Payee of any security for the payment hereof shall not constitute any election by it of remedies, so as to preclude the exercise of any other remedy available to it.

6. Collection Costs. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceeding at law or in equity or in bankruptcy, receivership, or other court proceedings, Maker agrees to pay all costs of collection, including Payee's court costs and reasonable attorney's fees.

7. Waiver. Maker, and each surety, endorser, guarantor, and other party liable for the payment of any sums of money payable on this Note, jointly and severally waive presentment and demand for payment, protest, and notice of protest and nonpayment, or other notice of default, except as specified herein, and agree that their liability on this Note shall not be affected by any renewal or extension in the time of payment hereof, indulgences, partial payment, release, or change in any security for the payment of this Note, before or after maturity, regardless of the number of such renewals, extensions, indulgences, releases, or changes.

8. Notices. Any notice, demand, request, or other communication permitted or required under this Note shall be in writing and shall be deemed to have been given as of the date so delivered, if personally served; as of the date so sent, if sent by electronic mail and receipt is acknowledged by the recipient; one day after the date so sent, if delivered by overnight courier service; or three days after the date so mailed, if mailed by certified mail, return receipt requested, addressed to Maker at its address on the first page.

9. Successor and Assigns. All of the covenants, stipulations, promises, and agreements in this Note contained by or on behalf of Maker shall bind its successors and assigns, whether so expressed or not; *provided*, *however*, that neither Maker nor Payee may, without the prior written consent of the other, assign any rights, powers, duties, or obligations under this Note.

11. Headings. The headings of the sections of this Note are inserted for convenience only and shall not be deemed to constitute a part hereof.

12. Applicable Law. This Note is being executed and delivered, and is intended to be performed, in the state of Delaware, and the substantive laws of such state shall govern the validity, construction, enforcement, and interpretation of this Note, except insofar as federal laws shall have application.

13. Security. This Note is unsecured.

EXECUTED effective the year and date first above written.

OCEAN THERMAL ENERGY CORPORATION.

By: /s/ Frank DiCola
Frank DiCola, Director

TetriDyn Solutions, Inc.
800 South Queen Street
Lancaster, PA 17603, USA

Re: Conversion of Note

Gentlemen:

The undersigned owner of this Note hereby irrevocably exercises the option to convert this Note or the portion hereof designated, into shares of common stock, par value $0.001 per share, of TetriDyn Solutions, Inc., in accordance with the terms of this Note, and directs that the shares issuable and deliverable upon the conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned unless a different name has been indicated below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay any transfer taxes payable with respect thereto.

(Signature)
Dated:

FILL IN FOR REGISTRATION
OF SHARES:

(Printed Name) (Social Security or Other Identifying Number)

(Street Address) (City/State/Zip Code)

Portion to be converted (if less than all)

Exhibit 10.59

LOAN AGREEMENT

This Loan Agreement (the "**Loan Agreement**") is made as of November 6, 2017, by and between JPF Venture Group, Inc. (the " **Lender**") and Ocean Thermal Energy Corporation (the "**Borrower**").

W I T N E S S E T H:

WHEREAS, the Borrower desires to obtain certain credit facilities, as set forth in this Loan Agreement, and the Lender is willing to provide such credit facilities on the terms and conditions set forth herein;

NOW, THEREFORE, the Lender and the Borrower, intending to be legally bound, hereby agree as follows:

1. The Credit Facilities. The Lender agrees, pursuant to the terms and conditions of this Loan Agreement and the other Loan Documents (as defined below), to make a loan to the Borrower in the original principal amount of up to Two Million Dollars ($2,000,000) (the "**Loan**"), with the specific amount to be determined at its sole discretion of the Lender. The Loan shall be evidenced by a Note (the "**Note**") and shall be made in accordance with and subject to the terms and conditions of this Loan Agreement, the Note and the other Loan Documents.

2. The Loan Documents. The following documents and materials (together with this Loan Agreement and any other accessory documents executed in connection herewith, such documents and materials, as they may be amended, restated, renewed and extended, are collectively referred to herein as the "**Loan Documents**") have been or will be executed in connection with the Loan:

a. Note.

3. Interest Rate. The Loan shall bear interest as set forth in the Note.

4. Repayment. Repayment of the Loan shall be made as set forth in the Note, and pre-payment shall be permitted as therein specified.

5. Use of Proceeds . The proceeds of the Loan shall be used to finance Sales, Marketing, Engineering, Legal, Consulting and Administrative Expenses associated with the Baha Mar, and/or other Projects/Activities, as well as Office & Staffing Expenses.

6. Collateral. The Loan will be secured by a first lien security interest in all assets of Borrower now owned or hereafter acquired as more specifically set forth in the Security Agreement. The Loan shall be cross-collateralized and cross- defaulted with all other obligations due from Borrower to Lender.

7. Expenses and Fees . The Borrower agrees to pay the Lender for all reasonable out-of-pocket expenses of every nature related to their respective credit facilities, including, but not limited to, attorneys' fees (not to exceed $5,000) and out-of-pocket expenses which the Lender may incur in connection with the execution or carrying out of this Loan Agreement and the other Loan Documents, or its rights hereunder and thereunder, and the Lender may pay any or all such expenses and add the amount thereof to the indebtedness secured or assured pursuant to the Loan Documents.

8. Representations and Warranties. The Borrower, in order to induce the Lender to make the Loan, makes the following representations, warranties and promises:

a. Good Standing. The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the state of its incorporation, with powers adequate to own its properties, and to carry on its business as presently conducted by it.

b. Authority; Binding Agreement. The execution, delivery and performance of the Loan Documents are within the corporate power of the Borrower, have been duly authorized by the Borrower and are not in contravention of law or the terms of the Borrower's Articles of Incorporation and By-Laws. The execution, delivery and performance of the Loan Documents does not and will not contravene any documents, agreements or undertakings to which the Borrower is a party or by which the Borrower is bound. No approval of any person, corporation, governmental body or other entity is a prerequisite to the execution, delivery, validity or enforceability and performance of the Loan Documents. When executed by the Borrower, the Loan Documents to which the Borrower is a party will constitute the legally binding obligations of the Borrower, enforceable in accordance with their terms except as the enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.

c. Financial Information. Subject to any limitation stated therein or in connection therewith, all balance sheets, earning statements, accounts receivable lists and aging schedules and other financial data which have been or shall be furnished to the Lender by the Borrower to induce the Lender to enter into this Loan Agreement or otherwise in connection herewith, do or will fairly represent the financial condition of the Borrower in all material respects, are accurate, complete and correct in all material respects insofar as completeness may be necessary to give the Lender a true and accurate knowledge of the subject matter as of the date hereof. There are no material liabilities, direct or indirect, fixed or contingent, of the Borrower as of the date of such financial statements which are not reflected therein or in the notes thereto. There has been no material adverse change in the financial condition or operations of the Borrower since the date of said financial statements or since the respective dates on which the Borrower furnished the Lender with other financial data or other representations about their financial condition.

d. Solvency. Any borrowings to be made by Borrower under this Loan Agreement do not and will not render Borrower insolvent. The Borrower is not contemplating either the filing of a petition under any state or federal bankruptcy or insolvency laws, or the liquidation of all or a major portion of its property, and the Borrower has no knowledge or any reason to know of any person contemplating the filing of any such petition against it.

9. Covenants. The Borrower agrees with the Lender that during the term of this Agreement and the other Loan Documents, and any extensions, replacements or renewals thereof (except as otherwise agreed by the Lender in writing):

a. Insurance. The Borrower shall maintain adequate fire and extended coverage insurance, with the Lender named as lender loss payee, as well as general liability, business interruption and other insurance policies as are customary. All such insurance:

i. Shall be issued in such amounts and by such companies as are satisfactory to the Lender; and

ii. Shall contain provisions providing for thirty (30) days' prior written notice to the Lender of any intended change or cancellation and providing that no such change or cancellation shall be effective as to the Lender in the absence of such notice.

b. Notice of Default; Litigation. The Borrower shall notify the Lender in writing immediately upon becoming aware of any default hereunder, or of any actions, suits, investigations, or proceedings at law, in equity or before any governmental authority that may have a material adverse effect on such Borrower, pending or threatened, against or affecting the Borrower or any collateral securing the Loan or involving the validity or enforceability of the Loan Documents or the priority of the liens created thereunder.

c. Financial Information. The Borrower shall furnish or cause to be furnished to the Lender (i) on an annual basis, federal income tax returns of the Borrower and annual financial statements of the Borrower, compiled by certified public accountants, within one hundred twenty (120) days after the end of each fiscal year; and (ii) on a fiscal quarter basis, internally-prepared interim financial statements of the Borrower in a form satisfactory to Lender within thirty (30) days of the close of each fiscal quarter.

d. Expenses. The Borrower shall pay all costs and expenses (including, but not limited to, attorneys' fees) incidental to the Loan, to the preservation and priority of the Lender's liens and security interests under the Loan Documents and to the collection of all obligations pursuant to the Loan Documents.

e. Deposit Relationship. The Borrower shall establish and maintain their primary deposit relationship with a bank reasonably acceptable to the Lender.

f. Further Assurances. The Borrower shall execute such documents as the Lender may reasonably request relating to the Loan.

g. Nature of Business. The Borrower shall not enter into any type of business other than that in which it is presently engaged, or otherwise significantly change the scope or nature of its business.

h. Mergers, Etc. The Borrower shall not wind up, liquidate or dissolve, reorganize, merge or consolidate with or into, or convey, sell, assign, transfer, lease, or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person, or acquire all or substantially all of the assets or the business of any person, except as may occur in connection with the currently contemplated Memphis investment group.

i. Sale of Assets, Etc . The Borrower shall not sell, lease, assign, transfer, or otherwise dispose of any of its now owned or hereafter acquired assets, except: (1) inventory disposed of in the ordinary course of business; and (2) the sale or other disposition of assets no longer used or useful in the conduct of its business, except as may occur in connection with the currently contemplated Memphis investment group.

j. Additional Borrowings. Borrower shall not create, incur, assume, or suffer to exist, any indebtedness, except: (i) borrowings pursuant to this Agreement; (ii) unsecured trade credit incurred in the ordinary course of business which are paid in a timely manner; (iii) other obligations to the Lender; and (iv) borrowings used to prepay in full the Borrower's obligations under the Loan Documents.

k. Guaranties, Etc. The Borrower shall not assume, guaranty, endorse, or otherwise be or become directly or contingently responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods, or services, or to supply or advance any funds, assets, goods, or services, or an agreement to maintain or cause such person to maintain a minimum working capital or net worth, or otherwise to assure the creditors of any person against loss) for obligations of any person, except (i) guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business and (ii) guaranties in favor of the Lender.

l. Liens, Etc. Borrower shall not create, incur, assume or suffer to exist, any mortgage, security interest, pledge, lien, charge or other encumbrance of any nature whatsoever on any of their respective assets, now or hereafter owned, other than (i) liens in favor of the Lender; (ii) liens under workmen's compensation, unemployment insurance and social security or similar laws; and (iii) liens imposed by law, such as carriers, warehousemen's or mechanic's liens, incurred in good faith in the ordinary course of business which are not past due for more than thirty (30) days (other than to the extent a longer period is permitted by their creditors in the ordinary course of business) or which are being contested in good faith by appropriate proceedings, a stay of execution having been served.

m. Loan and Advances . The Borrower shall not make any additional loans or advances to any individual, firm or corporation.

10. Conditions Precedent. The obligation of the Lender to make the Loan is subject to the satisfaction by the Borrower of the following conditions precedent:

a. The Borrower's representations and warranties as contained herein shall be accurate and complete as of the date of closing;

b. The Borrower shall not be in default under any of the covenants contained herein as of the date of closing;

c. The Borrower shall have executed and delivered all of the Loan Documents to which they are parties;

d. The Borrower shall have delivered to the Lender all of the documents (fully executed) and materials and satisfied all of the requirements reasonably requested by Lender to evidence the obligations of Borrower with respect to the Loan in such form and substance as may be reasonably acceptable to the Lender.

e. The Borrower shall have paid all costs incurred in connection with the closing of the Loan, including without limitation, the attorneys' fees of the Lender's counsel (up to a maximum of $5,000) and all filing fees. To the extent that such costs are not paid at closing, the Borrower hereby authorizes the Lender to pay the same from the proceeds of the Loan; and

f. The Borrower shall provide the Lender with written confirmation that there are no known disputes or pending actions between such Borrower and the Internal Revenue Service.

g. The Borrower shall furnish the Lender with such other documents, opinions, certificates, evidence and other matters as may be requested by the Lender at or prior to closing.

11. Events of Default; Acceleration; Remedies . The occurrence of any one or more of the following events shall constitute a default (an " **Event of Default**") under this Agreement:

a. If any statement, representation or warranty made by the Borrower in the Loan Documents, in connection therewith or any financial statement, report, schedule, or certificate furnished to the Lender by the Borrower, any of its representatives, employees or accountants during the term of this Agreement shall prove to have been false or misleading when made, or subsequently becomes false or misleading, in any material respect;

b. Default by the Borrower in payment within five (5) days of the due date of any principal or interest or other amounts called for under the Loan Documents;

c. Default by the Borrower in the performance or observance of any of its respective obligations under the provisions, terms, conditions, warranties or covenants of the Loan Documents and such failure shall continue for a period of thirty (30) days or more following receipt of written notice thereof from the Lender.

d. The occurrence of an event of default not cured within any applicable remedy period, under any obligations of the Borrower to the Lender other than under the Loan Documents, whether created prior to, concurrent with, or subsequent to obligations arising out of the Loan Documents;

e. The occurrence of an event of default not cured within any applicable remedy period, under any other obligation of the Borrower in an aggregate amount of Ten Thousand Dollars ($10,000.00) or more, for borrowed money or under any lease;

f. The dissolution, termination of existence, merger or consolidation of the Borrower, or a sale of all or substantially all of the assets of the Borrower out of the ordinary course of business, except as may occur in connection with the currently contemplated Memphis investment group;

g. A change in the beneficial ownership of fifty percent (50%) or more (in the aggregate) of the issued and outstanding voting capital stock of the Borrower from the ownership on the date of this Loan Agreement, whether through transfer, issuance of stock or membership interests or otherwise.

h. The Borrower shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of their or its property, (ii) admit in writing their or its inability to pay their or its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it or he in any proceeding under any such law or (vi) offer or enter into any compromise, extension or arrangement seeking relief or extension of their or its debts;

i. In the event that proceedings shall be commenced or an order, judgment or decree shall be entered against the Borrower, without the application, approval or consent of such Borrower (as the case may be) in or by any court of competent jurisdiction, relating to the bankruptcy, dissolution, liquidation, reorganization or the appointment of a receiver, trustee or liquidator of such Borrower of all or a substantial part of their or its assets, and such proceedings, order, judgment or decree shall continue undischarged or unstayed for a period of 90 days;

j. A final and unappealable judgment for the payment of money in excess of Ten Thousand Dollars ($10,000.00) shall be rendered against the Borrower and the same shall remain undischarged for a period of 60 days, during which period execution shall not be effectively stayed; or

Upon the occurrence of any Event of Default, automatically upon an Event of Default under subsection (h) or (i) of this Section or otherwise at the election of the Lender, (i) all of the obligations of the Borrower to the Lender, either under this Loan Agreement or otherwise, will immediately become due and payable without further demand, notice or protest, all of which are hereby expressly waived; (ii) the Lender may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Borrower and may proceed to liquidate and realize upon any of its collateral in accordance with the rights of a mortgagee or a secured party under the Uniform Commercial Code, any other applicable law, any Loan Document, any agreement between the Borrowers and the Lender; and/or (iii) the Lender's commitment to make further loans under this Agreement or any other agreement with either of the Borrowers will immediately cease and terminate.

12. General Provisions. The Lender and the Borrowers agree as follows with respect to the Loan Documents:

a. Waivers.

i. The Borrowers hereby waive, to the fullest extent permitted by law, presentment, notice, protest and all other demands and notices of any description and assent (1) to any extension of the time of payment or any other indulgence, (2) to any substitution, exchange or release of collateral, and (3) to the release of any other person primarily or secondarily liable for the obligations evidenced hereby.

ii. No delay or omission on the part of the Lender in exercising any right, privilege or remedy hereunder shall operate as a waiver of such right, privilege or remedy or of any other right, privilege or remedy under the Loan Documents. No waiver of any right, privilege or remedy or any amendment to the Loan Documents shall be effective unless made in writing and signed by the Lender. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right, privilege and/or remedy on any future occasion. No single or partial exercise of any power hereunder shall preclude other or future exercise thereof or the exercise of any other right. The acceptance by the Lender of any payment after any default under the Loan Documents shall not operate to extend the time of payment of any amount then remaining unpaid hereunder or constitute a waiver of any rights of the Lender hereof under the Loan Documents.

b. Binding Agreement. The Loan Documents shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns;

c. Entire Agreement and Amendment. The Loan Documents constitute the entire agreement between the Lender and the Borrowers with respect to the Loan and shall not be changed in any respect except by written instrument signed by the parties thereto;

d. Governing Law. The Loan Documents and all rights and obligations thereunder, including matters of construction, validity, and performance, shall be governed by the laws of the Commonwealth of Pennsylvania;

e. Severability. If any term, condition, or provision of the Loan Documents or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable according to law, then the remaining terms, conditions, and provisions of the Loan Documents, or the application of any such invalid or unenforceable term, condition or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term, condition, and provision of the Loan Documents shall be valid and enforced to the fullest extent permitted by law;

f. Notice. Any demand or notice required or permitted under the Loan Documents shall be effective if either: (i) hand-delivered to the addressee, or (ii) deposited in the mail, registered or certified, return receipt requested and postage prepaid, or delivered to a private express company addressed to the addressee: (A) at the address shown below, or (B) if such party has provided the other in writing with a change of address, at the last address so provided. Any notice or demand mailed as provided in this paragraph shall be deemed given and received on the earlier of: (i) the date received; (ii) or the date of delivery, refusal or non-delivery as indicated on the return receipt, if sent by mail or private express as provided above.

Borrowers:
Ocean Thermal Energy Corporation
OCEES International, Inc.
800 South Queen Street
Lancaster, PA 17603

With a copy to:
Gerald Koenig
8220 Crestwood Heights Drive, #1105
McLean VA 22102

Lender:
JPF Venture Group, Inc.
800 South Queen Street
Lancaster, PA 17603

With copy to:
Jeremy P. Feakins
1200 West Penn Grant Road
Lancaster, PA 17603

g. Conflict Among Loan Documents. In the event of any conflict between the terms, covenants, conditions and restrictions contained in the Loan Documents, the term, covenant and condition or restriction which grants the greater benefit upon the Lender shall control. The determination as to which term, covenant, condition or restriction is the more beneficial shall be made by the Lender in its sole discretion.

h. Costs of Collection. The Borrowers agree to pay on demand all reasonable out-of-pocket costs of collection under the Loan Documents, including reasonable attorneys' fees, whether or not any foreclosure or other action is instituted by the Lender in its discretion.

i. Set-Off, Etc. As additional collateral, the Borrowers grant (1) a security interest in, or pledges, assigns and delivers, to the Lender, as appropriate, all deposits, credits and other property now or hereafter due from the Lender to the Borrowers and (2) the right to set-off and apply (and a security interest in said right), from time to time hereafter and without demand or notice of any nature, all, or any portion, of such deposits, credits and other property, against the indebtedness evidenced by any of the Notes, whether the other collateral, if any, is deemed adequate or not.

j. Rights Cumulative. All rights and remedies of the Lender, whether granted herein or otherwise, shall be cumulative and may be exercised singularly or concurrently, and the Lender shall have, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of Pennsylvania. Except as otherwise provided by law, the Lender shall have no duty as to the collection or protection of the collateral or of any income thereon, or as to the preservation of any rights pertaining thereto beyond the safe custody thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrowers and the Lender have executed this Loan Agreement as of the date indicated above.

OCEAN THERMAL ENERGY CORPORATION

By:/s/ Gerald Koenig
Name: Gerald Koenig
Title: General Counsel

JPF VENTURE GROUP, INC.

By:/s/ Edward Baer
Name: Edward Baer
Title: Partner & CFO

PROMISSORY NOTE

$2,000,000 **Lancaster, PA** **November 6, 2017**

FOR VALUE RECEIVED, the undersigned, OCEAN THERMAL ENERGY CORPORATION., a Delaware corporation ("Maker"), whose mailing address and principal office is 800 South Queen Street, Lancaster, PA 17603, USA, hereby promises to pay to JPF VENTURE GROUP, INC., a Delaware corporation ("Payee"), whose mailing address is 800 South Queen Street, Lancaster, PA 17603, up to the principal sum of TWO MILLION DOLLARS AND NO CENTS ($2,000,000), as represented by advances from time to time, in lawful money of the United States of America for payment of private debts, together with interest (calculated on the basis of the actual number of days elapsed but computed as if each year consisted of 360 days) on the unpaid principal balance from time to time outstanding at a rate, except as otherwise provided in this Note, of Ten percent (10%) per annum.

1. Payments. All unpaid principal and all accrued and unpaid interest shall be due and payable at the earliest of A) resolution of the Memphis litigation; B) June 30, 2018; or, C) when Maker is otherwise able to pay.

2. Time and Place of Payment. If any payment falls due on a day that is considered a legal holiday in the state of Delaware, Maker shall be entitled to delay such payment until the next succeeding regular business day, but interest shall continue to accrue until the payment is in fact made. Each payment or prepayment hereon must be paid at the office of Payee set forth above or at such other place as the Payee or other holder hereof may, from time to time, designate in writing.

3 . Prepayment. Maker reserves the right and privilege of prepaying this Note in whole or in part, at any time or from time to time, upon 30 days' written notice, without premium, charge, or penalty. Prepayments on this Note shall be applied first to accrued and unpaid interest to the date of such prepayment, next to expenses for which Payee is due to be reimbursed under the terms of this Note, and then to the unpaid principal balance hereof

4. Default.

(a) Without notice or demand (which are hereby waived), the entire unpaid principal balance of, and all accrued interest on, this Note shall immediately become due and payable at Payee's option upon the occurrence of one or more of the following events of default ("Events of Default"):

(i) the failure or refusal of Maker to pay principal or interest on this Note within 10 days of when the same becomes due in accordance with the terms hereof;

(ii) the failure or refusal of Maker punctually and properly to perform, observe, and comply with any covenant or agreement contained herein, and such failure or refusal continues for a period of 30 days after Maker has (or, with the exercise of reasonable investigation, should have) notice hereof;

(iii) Maker shall: (1) voluntarily seek, consent to, or acquiesce in the benefit or benefits of any Debtor Relief Law (defined hereinafter); or (2) become a party to (or be made the subject of) any proceeding provided for by any Debtor Relief Law, other than as a creditor or claimant, that could suspend or otherwise adversely affect the Rights (defined hereinafter) of Payee granted herein (unless, in the event such proceeding is involuntary, the petition instituting same is dismissed within 60 days of the filing of same). "Debtor Relief Law" means the Bankruptcy Code of the United States of America and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar Laws from time to time in effect affecting the Rights of creditors generally. "Rights" means rights, remedies, powers, and privileges. "Laws" means all applicable statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of any state, commonwealth, nation, territory, possession, county, parish, municipality, or Tribunal. "Tribunal" means any court or governmental department, commission, board, bureau, agency, or instrumentality of the United States or of any state, commonwealth, nation, territory, possession, county, parish, or municipality, whether now or hereafter constituted and/or existing;

(iv) the failure to have discharged within a period of 30 days after the commencement thereof any attachment, sequestration, or similar proceeding against any of the assets of Maker, or the loss, theft, or destruction of, or occurrence of substantial damage to, a material part of the assets of Maker, except to the extent adequately covered by insurance; and

(v) Maker fails to pay any money judgment against it at least 10 days prior to the date on which any of Maker's assets may be lawfully sold to satisfy such judgment.

(b) If any one or more of the Events of Default specified above shall have happened, Payee may, at its option: (i) declare the entire unpaid balance of principal and accrued interest on this Note to be immediately due and payable without notice or demand; (ii) offset against this Note any sum or sums owed by Payee to Maker; (iii) reduce any claim to judgment; (iv) foreclose all liens and security interests securing payment thereof or any part thereof; and (v) proceed to protect and enforce its rights by suit in equity, action of law, or other appropriate proceedings, whether for the specific performance of any covenant or agreement contained in this Note, in aid of the exercise granted by this Note of any right, or to enforce any other legal or equitable right or remedy of Payee.

5. Cumulative Rights. No delay on Payee's part in the exercise of any power or right, or single partial exercise of any such power or right, under this Note or under any other instrument executed pursuant hereto shall operate as a waiver thereof. Enforcement by Payee of any security for the payment hereof shall not constitute any election by it of remedies, so as to preclude the exercise of any other remedy available to it.

6 . Collection Costs. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceeding at law or in equity or in bankruptcy, receivership, or other court proceedings, Maker agrees to pay all costs of collection, including Payee's court costs and reasonable attorney's fees.

7 . Waiver. Maker, and each surety, endorser, guarantor, and other party liable for the payment of any sums of money payable on this Note, jointly and severally waive presentment and demand for payment, protest, and notice of protest and nonpayment, or other notice of default, except as specified herein, and agree that their liability on this Note shall not be affected by any renewal or extension in the time of payment hereof, indulgences, partial payment, release, or change in any security for the payment of this Note, before or after maturity, regardless of the number of such renewals, extensions, indulgences, releases, or changes.

8. Notices. Any notice, demand, request, or other communication permitted or required under this Note shall be in writing and shall be deemed to have been given as of the date so delivered, if personally served; as of the date so sent, if sent by electronic mail and receipt is acknowledged by the recipient; one day after the date so sent, if delivered by overnight courier service; or three days after the date so mailed, if mailed by certified mail, return receipt requested, addressed to Maker at its address on the first page.

9 . Successor and Assigns. All of the covenants, stipulations, promises, and agreements in this Note contained by or on behalf of Maker shall bind its successors and assigns, whether so expressed or not; *provided*, *however*, that neither Maker nor Payee may, without the prior written consent of the other, assign any rights, powers, duties, or obligations under this Note.

10. Headings. The headings of the sections of this Note are inserted for convenience only and shall not be deemed to constitute a part hereof.

11 . Applicable Law. This Note is being executed and delivered, and is intended to be performed, in the state of Delaware, and the substantive laws of such state shall govern the validity, construction, enforcement, and interpretation of this Note, except insofar as federal laws shall have application.

12. Security. This Note is unsecured.

EXECUTED effective the year and date first above written.

OCEAN THERMAL ENERGY CORPORATION.

By: /s/ Gerald S. Koenig

Gerald S. Koenig, General Counsel

Exhibit 10.60

BRIDGE LOAN AGREEMENT

This Loan Agreement (the **"Loan Agreement")** is made as of _____, by and between _____(the **"Lender")** and Ocean Thermal Energy Corporation (the **"Borrower").**

WITNESSETH:

WHEREAS, the Borrower desires to obtain certain credit facilities, as set forth in this Loan Agreement , and the Lender is willing to provide such credit facilities on the terms and conditions set forth herein;

NOW, THEREFORE, the Lender and the Borrower , intending to be legally bound , hereby agree as follows:

1. The Credit Facilities. The Lender agrees, pursuant to the terms and conditions of this Loan Agreement and the other Loan Documents (as defined below) , to make a loan to the Borrower in the original principal amount of up to _____Dollars ($_____) (the **"Loan"),** with the specific amount to be determined at its sole discretion of the Lender. The Loan shall be evidenced by a Note (the **"Note")** and shall be made in accordance with and subject to the terms and conditions of this Loan Agreement, the Note and the other Loan Documents.

2. The Loan Documents. The following documents and materials (together with this Loan Agreement and any other accessory documents executed in connection herewith, such documents and materials, as they may be amended, restated, renewed and extended, are collectively referred to herein as the **"Loan Documents")** have been or will be executed in connection with the Loan:

a. Note; and,

b. A warrant, of even date herewith, granting to Lender the right to acquire shares of Ocean Thermal Energy Corporation common stock , calculated at a 15% discount the Borrower's common shares on the day prior to Lender exercising the warrant.

3. Interest Rate. The Loan shall bear interest as set forth in the Note .

4. Repayment. Repayment of the Loan shall be made as set forth in the Note, and pre payment shall be permitted as therein specified.

5. Use of Proceeds. The proceeds of the Loan shall be used to finance Borrower's acquisition costs for a revenue-producing Ocean Thermal Energy Conversion ("OTEC") and Seawater Air Conditioning ("SWAC") engineering company with patented technology, contracts including two large OTEC contracts worth more than $75 million to the Company, and several technology contracts with tier-1 oil and gas companies.

6. Security. The Loan will be unsecured.

7. Expenses and Fees. The Borrower agrees to pay the Lender for all reasonable out-of pocket expenses of every nature related to their respective credit facilities, including, but not limited to, attorneys' fees (not to exceed $5,000) and out-of-pocket expenses which the Lender may incur in connection with the execution or carrying out of this Loan Agreement and the other Loan Documents, or its rights hereunder and thereunder, and the Lender may pay any or all such expenses and add the amount thereof to the indebtedness secured or assured pursuant to the Loan Documents.

8. Representations and Warranties. The Borrower, in order to induce the Lender to make the Loan, makes the following representations, warranties and promises:

a. Good Standing. The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the state of its incorporation, with powers adequate to own its properties, and to carry on its business as presently conducted by it.

b. Authority; Binding Agreement. The execution, delivery and performance of the Loan Documents are within the corporate power of the Borrower, have been duly authorized by the Borrower and are not in contravention of law or the terms of the Borrower's Articles of Incorporation and By-Laws. The execution, delivery and performance of the Loan Documents does not and will not contravene any documents, agreements or undertakings to which the Borrower is a party or by which the Borrower is bound. No approval of any person, corporation, governmental body or other entity is a prerequisite to the execution, delivery, validity or enforceability and performance of the Loan Documents. When executed by the Borrower, the Loan Documents to which the Borrower is a party will constitute the legally binding obligations of the Borrower, enforceable in accordance with their terms except as the enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.

c. Financial Information. Subject to any limitation stated therein or in connection therewith, all balance sheets, earning statements, accounts receivable lists and aging schedules and other financial data which have been or shall be furnished to the Lender by the Borrower to induce the Lender to enter into this Loan Agreement or otherwise in connection herewith, do or will fairly represent the financial condition of the Borrower in all material respects, are accurate, complete and correct in all material respects insofar as completeness may be necessary to give the Lender a true and accurate knowledge of the subject matter as of the date hereof. There are no material liabilities, direct or indirect, fixed or contingent, of the Borrower as of the date of such financial statements which are not reflected therein or in the notes thereto. There has been no material adverse change in the financial condition or operations of the Borrower since the date of said financial statements or since the respective dates on which the Borrower furnished the Lender with other financial data or other representations about their financial condition.

d. Solvency. Any borrowings to be made by Borrower under this Loan Agreement do not and will not render Borrower insolvent. The Borrower is not contemplating either the filing of a petition under any state or federal bankruptcy or insolvency laws, or the liquidation of all or a major portion of its property, and the Borrower has no knowledge or any reason to know of any person contemplating the filing of any such petition against it.

9. Covenants. The Borrower agrees with the Lender that during the term of this Agreement and the other Loan Documents, and any extensions , replacements or renewals thereof (except as otherwise agreed by the Lender in writing):

a. Insurance. The Borrower shall maintain adequate fire and extended coverage insurance, with the Lender named as lender loss payee, as well as general liability, business interruption and other insurance policies as are customary. All such insurance:

i. Shall be issued in such amounts and by such companies as are satisfactory to the Lender; and

ii. Shall contain provisions providing for thirty (30) days' prior written notice to the Lender of any intended change or cancellation and providing that no such change or cancellation shall be effective as to the Lender in the absence of such notice.

b. Notice of Default; Litigation. The Borrower shall notify the Lender in writing immediately upon becoming aware of any default hereunder, or of any actions, suits, investigations, or proceedings at law , in equity or before any governmental authority that may have a material adverse effect on such Borrower, pending or threatened, against or affecting the Borrower or involving the validity or enforceability of the Loan Documents.

c. Financial Information. At the request of Lender, the Borrower shall furnish or cause to be furnished to the Lender (i) on an annual basis , federal income tax returns of the Borrower and annual financial statements of the Borrower, compiled by certified public accountants, within one hundred twenty (120) days after the end of each fiscal year; and (ii) on a fiscal quarter basis, internally-prepared interim financial statements of the Borrower in a form satisfactory to Lender within thirty (30) days of the close of each fiscal quarter. For the sake of clarity, required public filings of Borrower's financial information shall be deemed to satisfy the obligation of the Borrower under this provision.

d. Expenses. The Borrower shall pay all costs and expenses (including , but not limited to, attorneys' fees) incidental to the Loan and to the collection of all obligations pursuant to the Loan Documents.

e. Deposit Relationship. The Borrower shall establish and maintain their primary deposit relationship with a bank reasonably acceptable to the Lender.

f. Further Assurances. The Borrower shall execute such documents as the Lender may reasonably request relating to the Loan.

g. Nature of Business. The Borrower shall not enter into any type of business other than that in which it is presently engaged, or otherwise significantly change the scope or nature of its business.

h. Mergers, Etc. The Borrower shall not wind up, liquidate or dissolve, reorganize, merge or consolidate with or into, or convey, sell, assign, transfer, lease, or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person, or acquire all or substantially all of the assets or the business of any person.

i. Sale of Assets, Etc . The Borrower shall not sell, lease, assign, transfer, or otherwise dispose of any of its now owned or hereafter acquired assets , except: (1) inventory disposed of in the ordinary course of business; and (2) the sale or other disposition of assets no longer used or useful in the conduct of its business.

j. Additional Borrowings. Borrower shall not create, incur, assume, or suffer to exist, any indebtedness, except: (i) borrowings pursuant to this Agreement or other agreements with other lenders that substantially conform to the attached Term Sheet; (ii) unsecured trade credit incurred in the ordinary course of business which are paid in a timely manner; (iii) other obligations to the Lender; and (iv) borrowings used to prepay in full the Borrower's obligations under the Loan Documents, including project revenue.

k. Guaranties, Etc. The Borrower shall not assume, guaranty, endorse, or otherwise be or become directly or contingently responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods, or services, or to supply or advance any funds, assets, goods, or services, or an agreement to maintain or cause such person to maintain a minimum working capital or net worth, or otherwise to assure the creditors of any person against loss) for obligations of any person, except (i) guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business and (ii) guaranties in favor of the Lender.

1. Liens, Etc. Borrower shall not create, incur , assume or suffer to exist, any mortgage, security interest, pledge, lien, charge or other encumbrance of any nature whatsoever on any of their respective assets, now or hereafter owned, other than (i) liens in favor of the Lender; (ii) liens under workmen's compensation, unemployment insurance and social security or similar laws; and (iii) liens imposed by law , such as carriers, warehousemen's or mechanic's liens , incurred in good faith in the ordinary course of business which are not past due for more than thirty (30) days (other than to the extent a longer period is permitted by their creditors in the ordinary course of business) or which are being contested in good faith by appropriate proceedings, a stay of execution having been served.

m. Loan and Advances. The Borrower shall not make any additional loans or advances to any individual, firm or corporation.

10. Conditions Precedent. The obligation of the Lender to make the Loan is subject to the satisfaction by the Borrower of the following conditions precedent:

a. The Borrower' s representations and warranties as contained herein shall be accurate and complete as of the date of closing;

b. The Borrower shall not be in default under any of the covenants contained herein as of the date of closing ;

c. The Borrower shall have executed and delivered all of the Loan Documents to which they are parties ;

d. The Borrower shall have delivered to the Lender all of the documents (fully executed) and materials and satisfied all of the requirements reasonably requested by Lender to evidence the obligations of Borrower with respect to the Loan in such form and substance as may be reasonably acceptable to the Lender.

e. The Borrower shall provide the Lender with confirmation that there are no known disputes or pending actions between such Borrower and the Internal Revenue Service.

f. The Borrower shall furnish the Lender with such other documents, opinions, certificates, evidence and other matters as may be reasonably requested by the Lender at or prior to closing.

11. Events of Default; Acceleration; Remedies. The occurrence of any one or more of the following events shall constitute a default (an **"Event of Default")** under this Agreement:

a. If any statement, representation or warranty made by the Borrower in the Loan Documents, in connection therewith or any financial statement, report, schedule, or certificate furnished to the Lender by the Borrower, any of its representatives, employees or accountants during the term of this Agreement shall prove to have been false or misleading when made, or subsequently becomes false or misleading, in any material respect;

b. Default by the Borrower in payment within five (5) days of the due date of any principal or interest or other amounts called for under the Loan Documents;

c. Default by the Borrower in the performance or observance of any of its respective obligations under the provisions, terms, conditions, warranties or covenants of the Loan Documents and such failure shall continue for a period of thirty (30) days or more following receipt of written notice thereof from the Lender.

d. The occurrence of an event of default not cured within any applicable remedy period, under any obligations of the Borrower to the Lender other than under the Loan Documents, whether created prior to, concurrent with, or subsequent to obligations arising out of the Loan Documents;

e. The occurrence of an event of default not cured within any applicable remedy period, under any other obligation of the Borrower in an aggregate amount of Ten Thousand Dollars ($10,000.00) or more, for borrowed money or under any lease;

f. The dissolution, termination of existence, merger or consolidation of the Borrower, or a sale of all or substantially all of the assets of the Borrower out of the ordinary course of business;

g. A change in the beneficial ownership of fifty percent (50%) or more (in the aggregate) of the issued and outstanding voting capital stock of the Borrower from the ownership on the date of this Loan Agreement, whether through transfer, issuance of stock or membership interests or otherwise.

h. The Borrower shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of their or its property, (ii) admit in writing their or its inability to pay their or its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it or he in any proceeding under any such law or (vi) offer or enter into any compromise, extension or arrangement seeking relief or extension of their or its debts;

i. In the event that proceedings shall be commenced or an order , judgment or decree shall be entered against the Borrower , without the application, approval or consent of such Borrower (as the case may be) in or by any court of competent jurisdiction, relating to the bankruptcy , dissolution, liquidation, reorganization or the appointment of a receiver, trustee or liquidator of such Borrower of all or a substantial part of their or its assets, and such proceedings, order, judgment or decree shall continue undischarged or unstayed for a period of 90 days;

j. A final and unappealable judgment for the payment of money in excess of Ten Thousand Dollars ($10 ,000.00) shall be rendered against the Borrower and the same shall remain undischarged for a period of 60 days, during which period execution shall not be effectively stayed; or

Upon the occurrence of any Event of Default , automatically upon an Event of Default under subsection (h) or (i) of this Section or otherwise at the election of the Lender, (i) all of the obligations of the Borrower to the Lender, either under this Loan Agreement or otherwise , will immediately become due and payable without further demand, notice or protest, all of which are hereby expressly waived ; (ii) the Lender may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Borrower and may proceed to liquidate and realize upon any of its collateral in accordance with the rights of a mortgagee or a secured pai1y under the Uniform Commercial Code, any other applicable law, any Loan Document, any agreement between the Borrower and the Lender; and /or (iii) the Lender's commitment to make further loans under this Agreement or any other agreement with the Borrower will immediately cease and terminate .

12. General Provisions. The Lender and the Borrower agree as follows with respect to the Loan Documents:

a. Waivers.

i. The Borrower hereby waives, to the fullest extent permitted by law, presentment , notice, protest and all other demands and notices of any description and assent (1) to any extension of the time of payment or any other indulgence, (2) to any substitution, exchange or release of collateral, and (3) to the release of any other person primarily or secondarily liable for the obligations evidenced hereby.

ii. No delay or omission on the part of the Lender in exercising any right, privilege or remedy hereunder shall operate as a waiver of such right , privilege or remedy or of any other right, privilege or remedy under the Loan Documents. No waiver of any right, privilege or remedy or any amendment to the Loan Documents shall be effective unless made in writing and signed by the Lender. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right, privilege and/or remedy on any future occasion. No single o r partial exercise of any power hereunder shall preclude other or future exercise thereof or the exercise of any other right. The acceptance by the Lender of any payment after any default under the Loan Documents shall not operate to extend the time of payment of any amount then remaining unpaid hereunder or constitute a waiver of any rights of the Lender hereof under the Loan Documents.

b. Binding Agreement. The Loan Documents shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns;

c. Entire Agreement and Amendment. The Loan Documents constitute the entire agreement between the Lender and the Borrower with respect to the Loan and shall not be changed in any respect except by written instrument signed by the parties thereto;

d. Governing Law. The Loan Documents and all rights and obligations thereunder, including matters of construction, validity, and performance, shall be governed by the laws of the Commonwealth of Pennsylvania;

e. Severability. If any term, condition, or provision of the Loan Documents or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable according to law, then the remaining terms, conditions, and provisions of the Loan Documents, or the application of any such invalid or unenforceable term, condition or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term, condition, and provision of the Loan Documents shall be valid and enforced to the fullest extent permitted by law;

f. Notice. Any demand or notice required or permitted under the Loan Documents shall be effective if either: (i) hand-delivered to the addressee, or (ii) deposited in the mail, registered or certified, return receipt requested and postage prepaid, or delivered to a private express company addressed to the addressee: (A) at the address shown below, or (B) if such party has provided the other in writing with a change of address, at the last address so provided. Any notice or demand mailed as provided in this paragraph shall be deemed given and received on the earlier of: (i) the date received; (ii) or the date of delivery, refusal or non-delivery as indicated on the return receipt, if sent by mail or private express as provided above.

Borrower:
Ocean Thermal Energy Corporation
800 South Queen Street
Lancaster, PA 17603

With a copy to:
Gerald Koenig, Esq.
8220 Crestwood Heights Drive, #1105
McLean, VA 22102

Lender:

_____

_____

_____

With copy to:

_____

_____

_____

g. Conflict Among Loan Documents. In the event of any conflict between the terms, covenants, conditions and restrictions contained in the Loan Documents, the term, covenant and condition or restriction which grants the greater benefit upon the Lender shall control. The determination as to which term, covenant, condition or restriction is the more beneficial shall be made by the Lender in its sole discretion.

h. Costs of Collection. The Borrower agree to pay on demand all reasonable out of-pocket costs of collection under the Loan Documents, including reasonable attorneys' fees, whether or not any foreclosure or other action is instituted by the Lender in its discretion .

i. Set-Off, Etc. As additional collateral, the Borrower grants (1) a security interest in, or pledges, assigns and delivers , to the Lender, as appropriate, all deposits, credits and other property now or hereafter due from the Lender to the Borrower and (2) the right to set-off and apply (and a security interest in said right), from time to time hereafter and without demand or notice of any nature, all, or any portion, of such deposits, credits and other property, against the indebtedness evidenced by any of the Notes, whether the other collateral, if any, is deemed adequate or not.

j. Rights Cumulative. All rights and remedies of the Lender, whether granted herein or otherwise, shall be cumulative and may be exercised singularly or concurrently, and the Lender shall have , in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of Pennsylvania. Except as otherwise provided by law, the Lender shall have no duty as to the collection or protection of the collateral or of any income thereon , or as to the preservation of any rights pertaining thereto beyond the safe custody thereof.

IN WITNESS WHEREOF, the Borrower and the Lender have executed this Loan Agreement as of the date indicated above.

OCEAN THERMAL ENERGY CORPORATION

By: _____
Name: Jeremy P Feakins
Title: Chairman and CEO

LENDER:

By: _____

Name: _____

Title: _____

Address: _____

_____

Phone Number: _____

Email address: _____

WARRANT

to Purchase up to _____ Shares of Common Stock
$ - 0 - Par Value Per Share , of

OCEAN THERMAL ENERGY CORPORATION

This is to certify that, for value received, _____ **("Lender")** or any permitted transferee (Lender or such transferee being hereinafter called the **"Holder")** is entitled to purchase, subject to the provisions of this Warrant, from Ocean Thermal Energy Corporation , a Nevada corporation **("OTEC"),** at any time on or after the date hereof, an aggregate of up to _____ fully paid and non-assessable shares of common stock , $ -0- par value (the **"Common Stock"),** of OTEC at a price per share equal to a 15% discount from the price of the Common Stock on the last trading day before such purchase , subject to adjustment as herein provided (the **"Exercise Price").**

1. Exercise of Warrant. Subject to the provisions hereof, this Warrant may be exercised , in whole or in part , or sold, assigned or transferred at any time or from time to time on or after the date hereof. This Warrant shall be exercised by presentation and surrender hereof to OTEC at the principal office of OTEC, accompanied by (i) a written notice of exercise, (ii) payment to OTEC, for the account of OTEC, of the Exercise Price for the number of shares of Common Stock specified in such notice, and (iii) a certificate of the Holder specifying the event or events which have occurred and entitle the Holder to exercise this Warrant. The Exercise Price for the number of shares of Common Stock specified in the notice shall be payable in immediately available funds or in the form of an offset to amount owed by OTEC to Lender .

Upon such presentation and surrender , OTEC shall issue promptl y (and within one business day if reasonably requested by the Holder) to the Holder or its assignee, transferee or designee the number of shares of Common Stock to which the Holder is entitled hereunder. OTEC covenants and warrants that such shares of Common Stock , when so issued , will be duly authorized, validly issued, fully paid and non-assessable, and free and clear of all liens and encumbrances.

If this Warrant is exercised in part only , OTEC shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the shares of Common Stock issuable hereunder. Upon receipt by OTEC of this Warrant, in proper form for exercise, the Holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of OTEC may then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder. OTEC shall pay all expenses , and any and all United States federal, state and local taxes and other charges, that may be payable in connection with the preparation , issuance and delivery of stock certificates pur suant to this Paragraph 1 in the name of the Holder or its assignee, transferee or designee.

2. Reservation of Shares; Preservation of Rights of Holder.

OTEC shall at all t imes while this Warrant is outstanding and unexercised, maintain and reserve , free from preemptive rights, such number of authorized but unissued shares of Common Stock as may be necessary so that this Warrant may be exercised without any additional authorization of Common Stock after giving effect to all other options, warrants, convertible securities and other rights to acquire shares of Common Stock at the time outstanding. OTEC further agrees that (i) it will not , by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets , or by any other voluntary act or omission , avoid or seek to avoid the observance or performance of any of the covenants , stipulations or conditions to be observed or performed hereunder , and (ii) it will promptly take all action reasonably necessary to protect the rights of the Holder as provided herein.

3. Fractional Shares. OTEC shall not be required to issue any fractional shares of Common Stock upon exercise of this Warrant. In lieu of any fractional shares, the Holder shall be entitled to receive an amount in cash equal to the amount of such fraction multiplied by the Exercise Price.

4. Exchange or Loss of Warrant. This Warrant is exchangeable , without expense, at the option of the Holder, upon presentation and surrender hereof at the principal office of OTEC for other warrants of different denominations entitling the Holder to purchase, in the aggregate , the same number of shares of Common Stock issuable hereunder. The term " Warrant" as used herein includes any warrants for which this Warrant may be exchanged. Upon receipt by OTEC of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant , and (in the case of loss , theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, OTEC will execute and deliver a new Warrant of like tenor and date .

5. Adjustment. The number of shares of Common Stock issuable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as provided in this Paragraph.

(A) Stock Dividends, etc .

(1) Stock Dividends. In case OTEC shall pay or make a dividend or other di stribution on any class of capital stock of OTEC payable in Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction of which the denominator shall be the number of shares of Common Stock outstanding at the clo se of business on the day immediately preceding the date of such distribution and the numerator shall be the sum of such number of shares and the total number of shares of Common Stock constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following such distribution.

(2) Subdivisions. In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately decreased, such increase or decrease , as the case may be , to become effective immediately after the opening of business on the day following the date upon which such subdivision or combination becomes effective.

(3) Reclassifications. The reclassification of Common Stock into securities (other than Common Stock) and/or cash and/or other consideration shall be deemed to involve a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number or amount of securities and/or cash and/or other consideration outstanding immediately thereafter and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective," or "the day upon which such combination becomes effective," as the case may be, within the meaning of clause (2) above.

(4) Optional Adjustments. OTEC may make such increases in the number of shares of Common Stock issuable upon exercise of this Warrant , in addition to those required by this subparagraph (A), as shall be determined by its Board of Directors to be advisable in order to avoid taxation so far as practicable of any dividend of stock or stock rights or any event treated as such for federal income tax purposes to the recipients.

(5) Adjustment to Exercise Price. Whenever the number of shares of Common Stock issuable upon exercise of this Warrant is adjusted as provided in this Paragraph 5(A), the Exercise Price shall be adjusted by a fraction in which the numerator is equal to the number of shares of Common Stock issuable prior to the adjustment and the denominator is equal to the number of shares of Common Stock issuable after the adjustment, rounded to the nearest cent.

6. Right of the Holder.

(A) Without limiting the foregoing or any remedies available to the Holder, it is specifically acknowledged that the Holder would not have an adequate remedy at law for any breach of the provisions of this Warrant and shall be entitled to specific performance of OTEC' s obligations under, and injunctive relief against any actual or threatened violation of the obligations of any person subject to, this Warrant.

(B) The Holder shall not, by its status as Holder , be entitled to any rights of a stockholder in OTEC.

7. Termination. This Warrant and the rights conferred hereby shall terminate on December 31, 2020 .

8. Governing Law. This Warrant shall be deemed to have been delivered in , and shall be governed by and interpreted in accordance with the substantive laws of, the Commonwealth of Pennsylvania, except to the extent that Nevada law may govern certain aspects of this Warrant as it relates to OTEC.

Dated: _____

OCEAN THERMAL ENERGY CORPORATION

By: _____

Name: Jeremy Feakins Title: CEO

PROMISSORY NOTE

$_____ Date:_____

FOR VALUE RECEIVED, Ocean Thermal Energy Corporation, a Nevada corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the **"Borrower"),** hereby promises to pay to the order of _____(the **"Lender"),** at 800 South Queen Street, Lancaster, PA 17603, or at any other place designated to the Borrower by the Lender in writing, the principal sum of _____ Dollars ($_____), with interest as herein specified, and under the terms and conditions stated herein.

1. Repayment of Principal and Interest. Principal and interest shall be repaid by Borrower to Lender as follows: The Borrower shall repay the principal amount of $_____ on the earlier of (i) July 30, 2019, or (ii) any time after October 31 st, 2018, if the Lender demands early repayment (the **"Maturity Date"),** the Borrower shall pay to the Lender the unpaid principal balance of the Loan, all accrued and unpaid interest thereon, and all other costs and amounts payable to the Lender hereunder. Prior to the Maturity Date, interest-only payments made quarterly in arrears, commencing on May 15, 2018.

All amounts payable hereunder are payable in lawful money of the United States of America at the address of the Lender set forth above in immediately available funds. Prior to a Default, all payments shall be applied first on account of other charges, second to accrued interest due on the unpaid balance of principal and finally the remainder of such payments shall be applied to unpaid principal. If a Default occurs, payments and monies received may be applied in any manner and order deemed appropriate by the Lender.

2. Rates and Calculation of Interest. Interest on the outstanding and unpaid principal balance of the Loan shall be calculated for the actual number of days in the then current calendar year that principal is outstanding, based upon a year of three hundred sixty (360) days, accrue and shall be paid at the fixed rate of interest per annum equal to ten percent (10%).

In no event shall the rate of interest hereunder be in excess of the maximum amount permitted by law. In the event the rate of interest hereunder is determined to be in excess of the maximum amount permitted by law, such interest rate shall be automatically decreased to the maximum rate permitted by law.

In addition to all other rights contained in this Note, if a Default (defined herein) occurs and as long as a Default continues, all outstanding sums hereunder shall bear interest at the interest rate otherwise prevailing under the preceding paragraph, plus 10% (the **"Default Rate").** The Default Rate shall also apply from acceleration until all unpaid sums and obligations (whether matured or contingent) hereunder and any judgments thereon are paid in full.

3. Prepayment. This Note may be prepaid in whole or in part at any time at the option of the Borrower without premium or penalty. Each prepayment shall be applied first to the payment in full of other charges payable hereunder, then to accrued interest and the remainder of such payment, if any, shall be applied to the reduction of the unpaid principal balance. The Lender may demand early repayment any time after October 31st, 2018.

4. Loan Agreement. This Note is the Note referred to in the agreements between the Borrower and the Lender, including, but not limited to the Loan Agreement of even date herewith (the "Loan Agreement") and the Loan Documents referenced therein (the "Loan Documents"). The failure of the Borrower to execute any such agreement or other document shall not affect the validity of this Note. This Note shall evidence all obligations of the Borrower to the Lender under the Loan Agreement and Loan Documents.

5. Integration. The terms and conditions of this Note, together with the terms and conditions of the Loan Agreement and the Loan Documents, contains the entire understanding between the Borrower and the Lender with respect to the indebtedness evidenced hereby. Such understanding may not be amended, modified, or terminated except in writing duly executed by the parties hereto.

6. Security. This Note is unsecured.

7. Default and Remedies. The occurrence of any default or event of default **("Default",)** as defined in the Loan Agreement and /or the Loan Documents, shall constitute a Default of and under this Note.

When a Default occurs, the Lender, at its option, may declare the entire unpaid balance of principal of this Note, unpaid interest thereon and all other charges, costs and e☑penses provided for herein, in the Loan Agreement and /or any of the Loan Documents, and /or pursuant to any other agreements between Borrower and Lender, immediately due and payable without notice to or demand upon the Borrower. Upon the occurrence of a Default, the Lender shall have all of the rights and remedies with respect the Loan Agreement, the Loan Documents, this Note, and/or otherwise provided for by law, in equity, and otherwise.

8. Waiver. The undersigned hereby waives presentment for payment, demand, notice of nonpayment, notice of protest, and protest of this Note, and all of the notices in connection with delivery, acceptance, performance, default, or enforcement of the payment of this Note. The failure by the Lender to exercise any right or remedy shall not be taken to waive the exercise of the same thereafter for the same or any subsequent Default. The Borrower waives any claim of set-off, recoupment and/or counterclaim. All notices to the Borrower shall be adequately given if mailed postage prepaid to the address appearing in the Lender' s records. The Borrower intends this Note to be a sealed instrument and to be legally bound hereby.

9. Holder. The references to "Lender" herein shall be deemed to be references to any subsequent assignee, transferee, or other holder of this Note. Notwithstanding anything to the contrary herein, this Note shall be nontransferable, except by operation of law.

10. Governing Law. This Note shall be construed in accordance with the domestic internal laws of the Commonwealth of Pennsylvania, without reference to any conflict of laws provisions, as a Note made, delivered and to be wholly performed within the Commonwealth of Pennsy1v nia.

11. Judicial Proceedings. Any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by the Borrower or the Lender, or any of their successors or assigns, on or with respect to this Note or the dealings of the Borrower or the Lender with respect hereto, shall be tried only by a court and not by a jury. THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. In connection therewith, the Borrower agrees that any suit, action or proceeding arising hereunder or with respect hereto will be instituted in the Court of Common Pleas of York County, Pennsylvania, or the United States District Court for the Middle District of Pennsylvania, and irrevocably and unconditionally submits to the jurisdiction of each such Court for such purpose. Further, the Borrower waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. THE BORROWER ACKNOWLEDGES AND AGREES THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT THE LENDER WOULD NOT EXTEND CREDIT IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS NOTE.

LENDER:

_____

OCEAN THERMAL ENERGY CORPORATION

By: _____

Name: Jeremy Feakins

Title: CEO

OCEAN THERMAL ENERGY CORPORATION
Employment Agreement

This Employment Agreement ("Agreement") is effective January 1, 2011 and is entered into by and between Ocean Thermal Energy Corporation, a Delaware corporation having an office at 800 South Queen Street, Lancaster, Pennsylvania (hereinafter referred to as "Company"), and Jeremy P. Feakins, an individual whose address is [private] ("Executive").

In consideration of the premises and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Company and Executive hereby agree as follows:

1. Employment
Company agrees to employ Executive and Executive agrees to enter the employment of the Company upon the terms and subject to the conditions herein provided.

2. Effective Date
This Agreement is effective immediately upon the date first written above (the "Effective Date").

3. Location
Executive's principal office shall be located in Company's corporate offices at 800 South Queen Street, Lancaster, Pennsylvania.

4. Duties and Responsibilities

(a) The Company hereby agrees that Executive shall serve as Chief Executive Officer ("CEO") of the Company and its subsidiaries, reporting directly to the Company's Board of Directors ("Board"). In this capacity, Executive shall be responsible for the daily operation and management of all of the Company's business affairs and personnel.

(b) During the term of this Agreement, Executive shall devote substantially full time and attention to the execution of the duties and responsibilities hereunder. Notwithstanding the above, Executive may hold a seat on the board of directors of one or more other companies, engage in passive personal investments and in other business, industry, civic and charitable activities that do not materially conflict with the business affairs of Company or materially interfere with the performance of Executive's duties and responsibilities hereunder.

5. Compensation

(a) Salary. The Company acknowledges the compensation provided to the Executive hereunder is significantly less than would normally be commanded by the Executive or other such executives with similar experience and credentials for these services. Executive shall be paid a base annual salary ("Salary") of $350,000 payable in bi-weekly installments beginning the Effective Date; provided, however, that in consequence of the Company's limited immediate available cash resources and as an accommodation thereto (the "Accommodation"), except as otherwise provided herein, Executive shall receive for the period beginning the Effective Date and continuing until the Company's first financial close on a project with a capital cost of $25 million or more ("Financial Close"), $180,000 per annum. Within five (5) business days of such first Financial Close, the Executive shall be paid the sum of $350,000, as a bonus, plus the difference between the amount that otherwise would have been paid to the Executive absent the Accommodation and the amount received by the Executive pursuant to the Accommodation.

(b) Salary Adjustment. The Board will review Executive's compensation on an annual basis and consider whether to increase (but not decrease) the Executive's Salary. Any increased Salary granted by the Board shall become the new Salary until subsequently increased by the Board.

(c) Share Award. The Company may make an award of the Company's Common Stock to the Executive in such number of shares, at such time or times, and subject to such terms and conditions as the Board shall in its sole and absolute discretion determine.

(d) Options. Immediately upon the Company's adoption of a stock plan (the "Plan"), as an additional retention incentive, the Company shall issue to Executive a five-year option, including provision for a "cashless exercise," to purchase one million (1,000,000) shares of the Company's Common Stock (the "Option") pursuant to the terms of the Plan, which Option shall constitute, to the extent allowable under Section 422 of the Internal Revenue Code (the "Code"), an Incentive Stock Option. One-half of the Option shares shall vest one year from the grant date, and twenty-five percent of the Option shares shall vest on the second and third year anniversary dates of the grant date, respectively; provided, however, that all of the Option shares shall vest immediately upon an Exit. The term "Exit," as used herein, shall mean a Change in Control, as defined in Exhibit A attached hereto, or, any issuance of preferred stock by the Company. The Option will be issued pursuant to the Plan and in accordance with the following terms:

I. The Option shall not be exercisable after the expiration of five (5) years from the grant date (the "Option Term").

II. In the event Executive's employment is terminated by the Company for any reason other than for Cause, all unvested portions of the Option shall immediately vest and the entire Option will remain valid throughout the Option Term; and

III. In the event Executive's employment is voluntarily terminated by Executive all unvested portions of the Option are forfeited and the remaining time to exercise the vested portion of the Option remains valid.

IV. Notwithstanding any provision in this Section 5(d) to the contrary, the Option will be granted subject to the requirements of Section 422 of the Code, and to the extent that the Option fails to satisfy such provision, the Option will be treated as a stock option that is not an incentive stock option.

6. Plan Registration

With respect to any Plan under which Executive is granted shares of Company Common Stock, or options to purchase shares of Company Common Stock, at any time when such stock is publicly traded, prior to such time as shares become vested (e.g., in the case of an award of restricted stock) or options granted to Executive under the Plan are first exercisable, if such shares must be registered in order to be sold, the Company shall have registered the interests in the Plan and the shares of Company's Common Stock reserved thereunder prior to the date on which the shares vest or the options first become exercisable, in accordance with all applicable securities laws.

7. Bonuses

(a) Project Bonus. At the time of contract signing by all parties to any energy services agreement; power purchase agreement; build, own, operate and transfer agreement; or other similar or related agreement or agreements, where such agreement, or such agreements in the aggregate, provide for $25 million or more in revenue to the Company, the Company will pay the Executive a cash bonus equal to 100% of the Executive's Salary in effect at the time of such signing plus 500,000 shares of the Company's Common Stock.

(b) Other Bonuses. The Executive will also be entitled to other annual bonuses consisting of cash, stock, restricted stock, options stock appreciation rights ("SARS") or other forms of awards based upon his performance and Company's overall achievement of its corporate goals. The types and amounts of such awards, if any, shall be determined solely in the discretion of and upon the recommendation of the Board; provided, however, that the present value of all such awards to the Executive in a year shall be adjusted, as necessary, to equal an amount not less than the present value of all such awards given to the executive employee of the Company receiving the highest present value of all similar awards in a year multiplied by a fraction, the numerator of which shall be the Executive's Salary for the year and the denominator of which shall be such other executive's annual base salary for the year.

8. Executive Benefits

During Executive's employment with the Company:

(a) Executive will be entitled to four (4) weeks paid vacation time during each twelve-month period, with such vacation accruing until used. Any vacation time not used at the end of the Executive's employment shall be paid out in cash equivalent based on the Executive's Salary in effect at the time of the Executive's termination and shall be paid not later than thirty (30) days thereafter; provided, however, that such amount shall be forfeited in the event that the Executive is terminated for Cause.

(b) The Company will pay the health care, prescription drug, dental and/or vision insurance premiums for coverage of the Executive, his spouse and dependents under the standard Company plan or plans, if any, in effect from time to time during Executive's employment with the Company.

(c) Provided the Company obtains a policy of group life insurance and Executive complies with and satisfies all underwriting and other requirements of the insurer, the Company will pay the life insurance premiums for a term life insurance policy with a death benefit equal to four (4) times the Executive's Salary in effect at the time the Executive first becomes eligible for such insurance.

(d) The Company shall provide Executive with a monthly automobile allowance of $1,000.00, which amount shall be taxable to the Executive.

(e) Wherever possible, Executive will be entitled to travel First Class, or Business Class if available, for all methods of travel on Company business or at the convenience or request of the Company, on the carrier of his choice. At the request of the Executive, the Company will purchase the tickets on behalf of Executive in advance of such travel. Upon submission to the Company of usual and customary documentation, Executive will be reimbursed within five (5) business days for all reasonable out of pocket expenses that are incurred in connection with job related activities, as well as travel on behalf of the Company. The Executive will be provided with a Company credit card for use in business-related travel and other business expenses, which uses the Executive shall support with appropriate documentation as to their business purpose.

(f) For each thirty-day period that the Executive is required to spend anywhere other than the Executive's principal office as set forth in Section 3 hereof, the Company will provide a minimum of two (2) round-trip First Class, or Business Class when available, airfare tickets for Executive and/or Executive's spouse or dependents to travel between such location and the Executive's principal office as set forth in Section 3 hereof. The Executive shall be responsible for any income taxes attributable to the provision of airfare tickets, as applicable.

9. Executive Kidnapping and Medical Evacuation Program(s)

The Company will provide at no cost to Executive, an Executive Kidnapping and Medical Evacuation program(s) and/or insurance policy, under which Executive will be provided coverage subject to such policies, terms, conditions and limitations as the Board shall approve in its sole discretion.

10. Term of Employment

The term of employment hereunder shall be for a period of five (5) years commencing from the Effective Date (the "Term"). Commencing on the fifth anniversary of the Effective Date and on each successive one (1) year anniversary date thereafter, the term of employment hereunder shall be extended for a period of one (1) year ("Renewal Term") unless either party gives the other notice of termination at least one hundred (100) days prior to the end of the Term or any Renewal Term. In such event, employment will terminate at the end of the Term or Renewal Term during which such notice was given.

(a) Termination. Company may terminate Executive's employment during the Term or any Renewal Term for any reason, but if such termination is for any reason other than for Cause, such termination shall be in accordance with the provisions of Section 12 hereof. If Executive is terminated for Cause, then Executive shall be paid within thirty (30) days of such termination the unpaid portion of Executive's Salary then earned and due to Executive, and all compensation otherwise payable to Executive, including any and all unvested Plan awards and vested but unexercised Plan awards, under this Agreement shall be forfeited. As used herein, "Cause" means final conviction of a felony.

(b) Notice. Should the Company terminate Executive's employment for Cause, no advance notice from the Company will be required, and all of the Executive's unvested Plan awards and vested Plan awards that have not been exercised as of the date of the termination will be forfeited immediately.

(c) Shares and Options. Should the Company elect not to renew this Agreement after the Term or any Renewal Term, or should Executive voluntarily terminate his employment, then Executive shall retain the vested portion of any Plan award and the unvested portion will expire immediately upon Executive's termination of employment. In each such case, all vested Plan awards shall be non-forfeitable and shall retain their original expiration date.

11. Change in Control

The provision for a Change in Control Payment as described in Exhibit A attached hereto shall be applicable to Executive so long as Executive is employed by Company and thereafter, to the extent provided in such Exhibit A.

12. Severance

Other than in the case of a timely noticed non-renewal of Executive's employment hereunder pursuant to Section 10, if Executive's employment is terminated by Company without Cause for any reason during the Term or Renewal Term, Executive shall be entitled to receive from Company (i) a cash severance payment equal to three times the amount of the Executive's then applicable Salary, if the termination occurs on or before the third anniversary of the Effective Date, (ii) a cash severance payment equal to the unpaid portion of the Executive's then applicable Salary for the remainder of the Term or Renewal Term plus an amount equal to twice the Executive's then applicable Salary, if the termination occurs after the third anniversary of the Effective Date but before the fifth anniversary of the Effective Date, or (iii) a cash severance payment equal to the unpaid portion of the Executive's then applicable Salary for the remainder of the Term or Renewal Term if the termination occurs after the fifth anniversary of the Effective Date (each, a "Severance Payment"). In the event that the Executive is terminated by Company without cause, then all of Executive's outstanding Plan awards shall immediately and fully vest. Other than any Change in Control Payment to which Executive may also be entitled in accordance with Section 11; any bonus to which Executive may be entitled under Section 7; or any payment or benefit to which Executive may be entitled under any separate agreement between Executive and the Company, the Company shall have no further obligation to Executive in the event of Executive's termination by the Company without Cause beyond those obligations described in this Section 12. If the Company fails to make any payment when due under this Section 12, and Executive initiates arbitration pursuant to Section 17 to enforce his rights under this Agreement, and Company is found to have violated this Agreement, then Company shall be obligated to pay Executive, in addition to the Severance Payment and other sums owed under this Agreement, an additional payment ("Enforcement Payment") equal to the Severance Payment plus the sum of all of the costs incurred by Executive, including attorneys', fees, to enforce this Agreement. It is explicitly agreed that the Enforcement Payment is a reasonable estimate of the value of time and expense that would be incurred by the Executive to enforce this Agreement and in no case shall be considered a penalty. Any payments due under this Section 12 shall be paid by wire transfer to a bank account specified by Executive no later than three (3) business days after the Executive's termination, except that the Enforcement Payment shall be due and payable in the same manner to Executive within ten (10) days of the date the Company is found to have violated this Agreement.

13. Ownership of Information

All documents, drawings, memoranda, notes, records, file correspondence, manuals, models, specifications, computer programs, E-mail, voice mail, electronic databases, maps, and all other writings or materials of any type embodying any information pertaining to the business of Company which Executive has developed, utilized or had access to during his employment with Company, are and shall be the sole and exclusive property of Company. Upon termination of Executive's employment with Company for any reason, Executive shall promptly deliver this property and all copies thereof to Company.

14. Non-Solicitation

During the term of Executive's employment and for a period of two (2) years thereafter, Executive will not, directly or indirectly, solicit or contact any employee of Company with a view to inducing or encouraging such employee to leave the employ of Company for the purpose of being hired by Executive or an employer affiliated with Executive. Executive agrees that money damages would not be a sufficient remedy for any breach of this Section 14 by Executive, and that, in addition to all other remedies to which the Company may be entitled, the Company shall be entitled to injunctive or other equitable relief as a remedy for any such breach or threatened breach. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies that may be available to it, whether at law or in equity, for any breach or threatened breach hereof by Executive, including the recovery of damages. In addition, Executive agrees that the Company shall be entitled to recover from the Executive its reasonable attorneys' fees incurred in connection with obtaining any relief.

15. D&O Insurance and Indemnification

As soon as practicable, the Company shall purchase a directors and officers liability insurance policy, the terms of which shall be approved by the Board, and will provide Executive with directors and officers liability insurance necessary to protect Executive from any and all expenses, obligations, liabilities, actions, suits or proceedings that may occur as the result of Executive's employment by the Company. In addition, if at any time Executive is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Executive is or was a director, officer, executive or agent of Company and/or of any of its affiliates, or is or was serving at the request of Company as a director, officer, executive or agent of any other corporation, partnership, joint venture, trust, executive benefit plan or other enterprise, Company shall indemnify Executive and hold Executive harmless against expenses (including court costs and reasonable attorneys' fees), judgments, fines, penalties, amounts paid in settlement and any other liabilities actually and reasonably incurred by Executive in connection with such action, suit or proceeding to the full extent permitted by law. Expenses (including court costs and reasonable attorneys' fees) incurred by Executive in appearing at, participating in, or defending any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative, shall be paid by Company at reasonable intervals in advance of the final disposition of such action, suit or proceeding promptly following receipt of Executive's written claim, including supporting documentation. The indemnification provided under this Section 15 shall apply whether or not the negligence of any party is alleged or proved. Nothing in this Section 15 shall be deemed to provide Executive with a right to indemnification in excess of the authority of the Company to provide indemnification granted by applicable law, and all limitations on indemnification set forth in such law shall be deemed to govern this Section 15.

16. Miscellaneous

(a) All payments required to be made by Company hereunder shall be subject to any withholding pursuant to any applicable law or regulation.

(b) This Agreement is binding upon, and shall inure to the benefit of, the parties hereto and their respective successors, heirs, administrators, executors and assigns.

(c) This Agreement, including any exhibits hereto, contains the entire agreement between the parties concerning the subject matter hereof; any prior or contemporaneous agreements or understandings, oral or written, not contained in this Agreement, are superseded and of no effect; and this Agreement may not be amended or modified except by a writing signed by both parties.

(d) Should one party waive compliance by the other party to any term or provision of this Agreement, such waiver shall be limited to the facts or circumstances giving rise to the noncompliance and shall not be deemed either a general waiver or modification with respect to the term or provision, or part thereof, being waived, or as to any other term or provision of this agreement, nor shall it be deemed a waiver of compliance with respect to any other facts or circumstances then or thereafter occurring.

(e) Any notice given hereunder shall be in writing and shall be deemed given when actually received or two (2) business days after tender to an overnight courier with a national reputation, duly addressed to the party concerned at the address specified in the preamble of this Agreement or such other address as a party shall provide in writing from time to time to the other party.

(f) In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions or portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. The respective rights and obligations of the parties shall survive any termination of this Agreement to the extent necessary to preserve such rights and obligations.

17. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, except to the extent that federal laws supersede such laws, without regard to principles regarding conflicts of laws. Executive and Company agree that if any claim, action, dispute or controversy of any kind arises out of or relates to this Agreement or concerns any aspect of performance by any party under the terms of this Agreement, other than as may be enforced by way of injunctive relief pursuant to Section 14, prior to seeking any other remedies, the aggrieved party shall give written notice to the other party describing the disputed issue. Within ten (10) business days after the receipt of such a notice the parties shall attempt to resolve the dispute amicably through direct good faith negotiation. If the parties cannot so resolve the matter, the parties shall apply to the American Arbitration Association (“AAA”) for a single arbitrator to be appointed to arbitrate the dispute in accordance with the AAA rules applicable to employment disputes. Arbitration shall take place in Lancaster, Pennsylvania. The decision of the AAA arbitrator shall be final and binding on all parties. The parties agree not to litigate the matter except to the extent necessary to enforce the arbitration award. The costs and expenses of any litigation to enforce the arbitration award shall be borne by the non-prevailing party. Executive and Company hereby acknowledge that they are waiving their rights to a jury trial with respect to any matter within the scope of this Section 17. In addition, to the extent that this Agreement permits any matter to be litigated, Executive and Company irrevocably submit in any suit, action or proceeding arising out of or relating to this Agreement to the jurisdiction and venue of the United States District Court for the Eastern District of Pennsylvania or, if such court has no jurisdiction in the matter, then to the jurisdiction and venue of the Court of Common Pleas for Lancaster County, Pennsylvania, and each hereby waives any and all objections to jurisdiction or venue that Company or Executive may have under the laws of Pennsylvania or of the United States.

18. Section 409A Compliance

This Agreement shall be interpreted and performed so as to comply with any applicable provisions of Section 409A of the Code ("Section 409A") and the regulations and official guidance issued pursuant thereto such as will avoid any inclusion of income by Executive under Section 409A of any payment or benefit under this Agreement or under any arrangement required to be aggregated with this Agreement. Terms defined in this Agreement will have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. Any payments that are due within the "short term deferral period" as defined in Section 409A or that are paid in a manner covered by Treas. Reg. Section 1.409A-1(b)(9)(iii) will not be treated as deferred compensation unless applicable law requires otherwise. Neither the Company nor Executive will have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A. In any event, the Company makes no representations or warranty and will have no liability to the Executive or any other person, other than with respect to payments made by the Company in violation of the provisions of this Agreement, if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Section 409A but not to satisfy the conditions of that section. For purposes of this Agreement, a termination of employment with the Company shall mean a "separation from service" as defined in Section 409A. If and to the extent any portion of any payment, compensation or other benefit provided to Executive in connection with Executive's separation from service (as defined in Section 409A) is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and Executive is at such time a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, as determined by the Company in accordance with its procedures, by which determination Executive hereby agrees to be bound, such portion of the payment, compensation or other benefit will not be paid before the day that is six months plus one day after the date of separation from service (as determined under Section 409A) (the "New Payment Date"). The aggregate of any payments that otherwise would have been paid to Executive during the period between the date of separation from service and the New Payment Date will be paid to Executive in a lump sum on the first payroll date after such New Payment Date, and any remaining payments will be paid on their original schedule.

19. Excess Parachute Payments

(a) In the event that the Executive is entitled to payments and/or benefits (i) in connection with Executive's employment with the Company or termination thereof or (ii) from the Company, any person whose actions result in a change of ownership or effective control covered by Section[Missing Graphic Reference]280G[Missing Graphic Reference](b)(2) of the Code, or any person affiliated with the Company or such person as a result of such change in ownership or effective control (collectively the "Company Payments"), and if such Company Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to or for the benefit of the Executive at the time specified in subsection (c) below an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Company Payments and any U. S. federal, state, and local income or payroll tax upon the Gross-Up Payment, but before deduction for any U.S. federal, state, and local income or payroll tax on the Company Payments, shall be equal to the Company Payments. For purposes of calculating the Gross-Up Payment, the Executive shall be deemed to pay income taxes at the highest applicable marginal rate of federal, state or local income taxation for the calendar year in which the Gross-Up Payment is to be made.

(b) Subject to any determinations made by the Internal Revenue Service (the “IRS”), all determinations as to whether a Gross-Up Payment is required and the amount of Gross-Up Payment and the assumptions to be used in arriving at the determination shall be made by the Company's independent certified public accountants, appointed prior to any change in ownership (as defined under Section 280G[Missing Graphic Reference](b)(2) of the Code) (the “Accountants”), in accordance with the principles of Section [Missing Graphic Reference]280G[Missing Graphic Reference] of the Code. All fees and expenses of the Accountants will be borne by the Company. Subject to any determinations made by the IRS, determinations of the Accountants under this Agreement with respect to (i) the initial amount of any Gross-Up Payment and (ii) any subsequent adjustment of such payment shall be binding on the Company and the Executive.

(c) The Gross-Up Payment calculated pursuant to this Section 19 shall be paid no later than the thirtieth (30th) day following an event occurring which subjects the Executive to the Excise Tax; provided, however, that if the amount of such Gross-Up Payment or portion thereof cannot be reasonably determined on or before such day, the Company shall pay to the Executive the amount of the Gross-Up Payment no later than 10 days following the determination of the Gross-Up Payment by the Accountants. Notwithstanding the foregoing, the Gross-Up Payment shall be paid to or for the benefit of the Executive no later than 15 business days prior to the date by which the Executive is required to pay the Excise Tax or any portion of the Gross-Up Payment to any federal, state or local taxing authority, without regard to extensions.

(d) In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account hereunder at the time the Gross-Up Payment is made, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and U.S. federal, state and local income tax imposed on the portion of the Gross-Up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax or a U.S. federal, state and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be refunded to the Company has been paid to any U.S. federal, state and local tax authority, repayment thereof (and related amounts) shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed the interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall cooperate in good faith in determining the course of action to be pursued (and the method of allocating the expense thereof) if the Executive's claim for refund or credit is denied. However, if agreement cannot be reached, the Company shall decide the appropriate course of action to pursue provided that the action does not adversely impact any issues Executive may have with respect to his tax return, other than the Excise Tax.

(e) In the event that the Excise Tax is later determined by the Accountants or the IRS to exceed the amount taken into account hereunder at the time the Gross-Up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment to or for the benefit of the Executive in respect of such excess (plus any interest or penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

(f) In the event of any controversy with the IRS (or other taxing authority) with regard to the Excise Tax, the Executive shall permit the Company to control issues related to the Excise Tax (at its expense), provided that such issues do not potentially materially adversely affect the Executive. In the event issues are interrelated, the Executive and the Company shall in good faith cooperate so as not to jeopardize resolution of either issue. In the event of any conference with any taxing authority as to the Excise Tax or associated income taxes, the Executive shall permit the representative of the Company to accompany the Executive, and the Executive and the Executive's representative shall cooperate with the Company and its representative.

(g) The Company shall be responsible for all charges of the Accountant.

(h) The Company and the Executive shall promptly deliver to each other copies of any written communications, and summaries of any verbal communications, with any taxing authority regarding the Excise Tax.

20. Counterparts

This Agreement may be executed in counterparts, each of which shall be an original and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed on the date first written above.

OCEAN THERMAL ENERGY CORPORATION

Signature: /s/ James D. Greenberg

Printed Name: James D. Greenberg

Title: Director

EXECUTIVE

Signature: /s/ Jeremy Feakins

Printed Name: Jeremy Feakins

EXHIBIT A

Change in Control

If, within three (3) months following the occurrence of a Change in Control (as defined below), the Executive elects, by written notice to the Company, to terminate his employment with the Company then, in addition to any severance payments due under Executive's Employment Agreement with the Company, the Company shall pay to the Executive, within 10 days after his termination of employment, a lump sum cash payment in an amount equal to the Change in Control Payment (as defined below). If the Executive's employment is terminated prior to the date he elects to terminate but there is reasonable evidence that such termination (a) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in connection with or in anticipation of a Change in Control, then for all purposes of this paragraph, such termination shall be considered to have occurred immediately following the Change in Control and the Executive's election to terminate his employment as of the date of the Change in Control. As used herein, the following terms shall mean:

(a) A "Change in Control" shall be deemed to have occurred upon: (i) the date of acquisition by any one person, or more than one person acting as a group (as defined in Treasury Regulations Section 1.409A-3(i)(5)(v)(B)), of stock of the Company that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company; provided, however, that if any one person, or more than one person acting as a group, is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons shall not be deemed to be a Change of Control; (ii) the date any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the stock of the Company; or (iii) the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value of more than forty percent (40%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions; provided, however, that transfers of assets of the Company of any value to a related person or entity as described in Treasury Regulations Section 1.409A-3(i)(5)(vii)(B) shall not result in a Change in Control. For purposes of (i) and (ii) above, a person shall be deemed to be the beneficial owner of any shares the person is deemed to own under the stock attribution rules of Section 318(a) of the Code.

(b) "Change in Control Payment" shall mean an amount equal to three (3) times the Executive's Salary in effect on the date of a Change in Control.

LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement") is made as of February 10, 2012, by and between DCO Energy, LLC, a New Jersey limited liability company with offices at 5429 Harding Highway, Building 500, Mays Landing, New Jersey 08330 (the "Lender") and Ocean Thermal Energy Corporation, a Delaware Corporation with offices at 800 South Queen Street, Lancaster, Pennsylvania 17603 (the "Borrower").

WITNESSETH:

WHEREAS, the Borrower desires to obtain certain credit facilities, as set forth in this Loan Agreement, and the Lender is willing to provide such credit facilities on the terms and conditions set forth herein;

NOW, THEREFORE, the Lender and the Borrower, intending to be legally bound, hereby agree as follows:

1. The Loan. The Lender agrees, pursuant to the terms and conditions of this Loan Agreement and the other Loan Documents (as defined below), to make a loan to the Borrower in the original principal amount of One Million Dollars ($1,000,000) (the "Loan"). The Loan shall be evidenced by a Note (the "Note") and shall be made in accordance with and subject to the terms and conditions of this Loan Agreement, the Note, and other Loan Documents.

2 . The Loan Documents. The following documents and materials (together with this Loan Agreement and any other accessory documents executed in connection herewith, such documents and materials, as they may be amended, restated, renewed and extended, are collectively referred to herein as the "Loan Documents") have been or will be executed in connection with the Loan:

(a) Note;

(b) Security Agreement, of even date herewith, between Lender and Borrower (the "Security Agreement");

(c) A warrant, of even date herewith, granting to Lender, as additional consideration for making the Loan to Borrower, the right to purchase 3,295,761 shares of the Borrower's common stock at a price of $0.50 per share.

3. Interest Rate. The Loan shall bear interest as set forth in the Note.

4. Repayment. Repayment of the Loan shall be made as set forth in the Note, and pre-payment shall be permitted as therein specified.

5. Use of Proceeds . The proceeds of the Loan shall be utilized by Borrower for fifty percent (50%) of the pre-development work and studies relative to the Baha Mar Project with the balance to be used for other development work and additional projects. Borrower shall provide Lender with a commercially reasonable accounting of the use of the funds upon request.

6 . Collateral. The Loan will be secured by a first lien security interest in all assets of Borrower now owned or hereafter acquired as more specifically set forth in the Security Agreement.

7. Expenses and Fees. The Borrower and Lender each agree to pay their own expenses and fees of every nature related to their execution and carrying out of this Loan Agreement and the other Loan Documents.

8. Representations and Warranties. The Borrower, in order to induce the Lender to make the Loan, makes the following representations, warranties, and promises:

(a) Good Standing. The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the state of its incorporate, with powers adequate to own its properties, and to carry on its business as presently conducted by it.

(b) Authority; Binding Agreement. The execution, delivery, and performance of the Loan Documents are within the corporate power of the Borrower, have been duly authorized by the Borrower, and are not in contravention of law or the terms of the Borrower's Articles of Incorporation and By-Laws. The execution, delivery and performance of the Loan Documents does not and will not contravene any documents, agreements or undertakings to which the Borrower is a party or by which it is bound. No approval of any person, corporation, governmental body or other entity is a prerequisite to the execution, delivery, validity or enforceability and performance of the Loan Documents. When executed by the Borrower, the Loan Documents to which the Borrower is a party will constitute the legally binding obligations of the Borrower, enforceable in accordance with their terms except as the enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.

(c) Financial Information. Subject to any limitation stated therein or in connection therewith, all balance sheets, earning statements, accounts receivable lists and aging schedules and other financial data which have been or shall be furnished to the Lender by the Borrower to induce the Lender to enter into this Loan Agreement or otherwise in connection herewith, do or will fairly represent the financial condition of the Borrower in all material respects, are accurate, complete and correct in all material respects insofar as completeness may be necessary to give the Lender a true and accurate knowledge of the subject matter as of the date hereof. There are no material liabilities, direct or indirect, fixed or contingent, of the Borrower as of the date of such financial statements, which are not reflected therein or in the notes thereto. There has been no material adverse change in the financial condition or operations of the Borrower since the date of said financial statements or since the respective dates on which the Borrower furnished the Lender with other financial data or other representations about its financial condition.

(d) Solvency. Any borrowings to be made by the Borrower under this Loan Agreement do not and will not render Borrower insolvent. The Borrower is not contemplating either the filing of a petition under any state or federal bankruptcy or insolvency laws, or the liquidation of all or a major portion of its property, and the Borrower has no knowledge or any reason to know of any person contemplating the filing of any such petition against it.

9. Covenants. The Borrower agrees with the Lender that during the term of this Agreement and the other Loan Documents, and any extensions, replacements or renewals thereof (except as otherwise agreed by the Lender in writing):

(a) Insurance. The Borrower shall maintain adequate fire and extended coverage insurance, with the Lender named as lender loss payee, as well as general liability, business interruption and other insurance policies as are customary. All such insurance:

(i) Shall be issued in such amounts and by such companies as are satisfactory to the Lender; and

(ii) Shall contain provisions providing for thirty (30) days' prior written notice to the Lender of any intended change or cancellation and providing that no such change or cancellation shall be effective as to the Lender in the absence of such notice.

(b) Notice of Default; Litigation. The Borrower shall notify the Lender in writing immediately upon becoming aware of any default hereunder, or of any actions, suits, investigations, or proceedings at law, in equity or before any governmental authority that may have a material adverse effect on the Borrower, pending or threatened, against or affecting the Borrower or any collateral securing the Loan or involving the validity or enforceability of the Loan Documents or the priority of the liens created thereunder.

(c) Financial Information. The Borrower shall furnish or cause to be furnished to the Lender: (i) on an annual basis, federal income tax returns of the Borrower and annual financial statements of the Borrower, compiled by certified public accountants, within one hundred twenty (120) days after the end of each fiscal year; and (ii) on a fiscal quarter basis, internally-prepared interim financial statements of the Borrower in a form satisfactory to Lender within thirty (30) days of the close of each fiscal quarter.

(d) Expenses. The Borrower shall pay all costs and expenses (including, but not limited to, attorneys' fees) incidental to the preservation and priority of the Lender's liens and security interests under the Loan Documents and to the collection of all obligations pursuant to the Loan Documents.

(e) Sale of Assets, etc. The Borrower shall not sell, lease, assign, transfer, or otherwise dispose of any of its now owned or hereafter acquired assets, expect: (1) inventory disposed of in the ordinary course of business; and (2) the sale or other disposition of assets no longer used or useful in the conduct of its business.

(f) Mergers, etc. The Borrower shall not wind up, liquidated or dissolve, reorganize, merge or consolidate with or into, or convey, sell, assign, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person, or acquire all or substantially all of the assets or the business of any person.

(g) Loans and Advances. The Borrower shall not make any additional loans or advances to any individual, firm, or corporation.

(h) Further Assurances. Each Party shall execute such documents as the other Party may reasonably request relating to the Loan.

10. Conditions Precedent. The obligation of the Lender to make the Loan is subject to the satisfaction by the Borrower of the following conditions precedent:

(a) The Borrower's representations and warranties as contained herein shall be accurate and complete as of the date of closing;

(b) The Borrower shall not be in default under any of the covenants contained herein as of the date of closing;

(c) The Borrower shall have executed and delivered all of the Loan Documents to which it is a party.

11. Events of Default; Acceleration; Remedies . The occurrence of any one or more of the following events shall constitute a default (an "Event of Default") under this Agreement:

(a) If any statement, representation or warranty made by the Borrower in the Loan Documents, in connection therewith or any financial statement, report, schedule, or certificate furnished to the Lender by the Borrower, any of its representatives, employees or accountants during the term of this Agreement shall prove to have been false or misleading when made, or subsequently becomes false or misleading, in any material respect;

(b) Default by the Borrower in payment within five (5) days of the due date of any principal or interest or other amounts called for under the Loan Documents;

(c) Default by the Borrower in the performance or observance of any of its respective obligations under the provisions, terms, conditions, warranties or covenants of the Loan Documents and such failure shall continue for a period of thirty (30) days or more following receipt of written notice thereof from the Lender;

(d) The occurrence of an event of default not cured within any applicable remedy period, under any other obligation of the Borrower in an aggregate amount of Ten Thousand Dollars ($10,000) or more, for borrowed money or under any lease;

(e) The dissolution, terminate of existence, merger or consolidation of the Borrower, or a sale of all or substantially all of the assets of the Borrower out of the ordinary course of business;

(f) A change in the beneficial ownership of fifty percent (50%) or more (in the aggregate) of the issued and outstanding voting capital stock of the Borrower from the ownership on the date of this Loan Agreement, whether through transfer, issuance of stock or membership interest or otherwise;

(g) The occurrence of an event of default not cured within any applicable remedy period, under any obligations of the Borrower to the Lender other than under the Loan Documents, whether created prior to, concurrent with, or subsequent to obligations arising out of the Loan Documents;

(h) The Borrower shall: (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it or he in any proceeding under any such law or (vi) offer or enter into any compromise, extension or arrangement seeking relief or extension of its debts;

(i) In the event that proceedings shall be commenced or an order, judgment or decree shall be entered against the Borrower, without the application, approval or consent of the Borrower in or by any court of competent jurisdiction, relating to the bankruptcy, dissolution, liquidation, reorganization or the appointment of a receiver, trustee or liquidator of the Borrower of all or a substantial part of their or its assets, and such proceedings, order, judgment or decree shall continue undischarged or unstayed for a period of 90 days;

(j) A final and unappealable judgment for the payment of money in excess of Ten Thousand Dollars ($10,000) shall be rendered against the Borrower and the same shall remain undischarged for a period of 60 days, during which period of execution shall not be effectively stayed.

Upon the occurrence of any Event of Default, automatically upon an Event of Default under subsection (h) or (i) of this Section or otherwise at the election of the Lender, (i) all of the obligations of the Borrower to the Lender, under this Loan Agreement or the Loan Documents, will immediately become due and payable without further demand, notice or protest, all of which are hereby expressly waived; (ii) the Lender may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Borrower and may proceed to liquidate and realize upon any of its collateral in accordance with the rights of a mortgagee or a security party under the Uniform Commercial Code, any other applicable law, any Loan Document; and/or (iii) the Lender's commitment to make further loans under this Agreement or any other agreement with the Borrower will immediately cease and terminate.

12. General Provisions. The Lender and the Borrower agree as follows with respect to the Loan Documents:

(a) Waivers:

(i) The Borrower hereby waives, to the fullest extent permitted by law, presentment, notice, protest and all other demands and notices of any description and assent (1) to any extension of the time of payment or any other indulgence, (2) to any substitution, exchange or release of collateral, and (3) to the release of any other person primarily or secondarily liable for the obligations evidenced hereby.

(ii) No delay or omission on the part of the Lender in exercising any right, privilege, or remedy hereunder shall operate as a waiver of such right, privilege, or remedy or of any other right, privilege, or remedy under the Loan Documents. No waiver of any right, privilege or remedy or any amendment to the Loan Documents shall be effective unless made in writing and signed by the Lender. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right, privilege and/or remedy on any future occasion. No single or partial exercise of any power hereunder shall preclude other or future exercise thereof or the exercise of any other right. The acceptance by the Lender of any payment after any default under the Loan Documents shall not operate to extend the time of payment of any amount then remaining unpaid hereunder or constitute a waiver of any rights of the Lender hereof under the Loan Documents.

(b) Binding Agreement. The Loan Documents shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns.

(c) Entire Agreement and Amendment. The Loan Documents constitute the entire agreement between the Lender and the Borrower with respect to the Loan and shall not be changed in any respect except by written instrument signed by the parties thereto.

(d) Governing Law. The Loan Documents and all rights and obligations thereunder, including matters of construction, validity, and performance, shall be governed by the laws of the Commonwealth of Pennsylvania.

(e) Severability. If any term, condition, or provision of the Loan Documents or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable according to law, then the remaining terms, conditions, and provisions of the Loan Documents, or the application of any such invalid or unenforceable term, condition or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term, condition, and provision of the Loan Documents shall be valid and enforced to the fullest extent permitted by law.

(f) Notice. Any demand or notice required or permitted under the Loan Documents shall be effective if either: (i) hand-delivered to the addressee, or (ii) deposited in the mail, registered or certified, return receipt requested and postage prepaid, or delivered to a private express company addressed to the addressee: (A) at the address shown below, or (B) if such party has provided the other in writing with a change of address, at the last address so provided. Any notice or demand mailed as provided in this paragraph shall be deemed given and received on the earlier of: (i) the date received; (ii) or the date of delivery, refusal, or non-delivery as indicated on the return receipt, if sent by mail or private express as provided above.

Borrower:
Ocean Thermal Energy Corporation
Attention: Jeremy Feakins,
Chairman & CEO
800 South Queen Street
Lancaster, PA 17603
Phone: 717-299-1344
E-mail: jeremy@otecorporation.com

With a copy to:
Ocean Thermal Energy Corporation
Attention: Gerald Koenig, General Counsel
8220 Crestwood Heights Drive, #1105
McLean VA 22102
Phone: 703-725-4002
Email: gskoenig@aol.com

Lender:
DCO Energy, LLC
Attention: Frank DiCola,
President & CEO
5429 Harding Highway, Bldg. 500
Mays Landing, NJ 08330
Phone: 609-837-8010
Email: fdicola@dcoenergy.com

With copy to:
Chief Financial Officer, DCO Energy, LLC
Attention: Michael Jingoli
100 Lenox Drive, Suite 100
Lawrenceville, NJ 08648
Phone: 609-896-3111
Email: mjingoli@jingoli.com

(g) Conflict Among Loan Documents. In the event of any conflict between the terms, covenants, conditions and restrictions contained in the Loan Documents, the term, covenant and condition or restriction which grants the greater benefit upon the Lender shall control. The determination as to which term, covenant, condition, or restriction is the more beneficial shall be made by the Lender in its sole discretion.

(h) Costs of Collection. The Borrower agrees to pay on demand all reasonable out-of-pocket costs of collection under the Loan Documents, including reasonable attorneys' fees, whether or not any foreclosure or other action is instituted by the Lender in its discretion.

(i) Set-Off, etc. As additional collateral, the Borrower grants (1) a security interest in, or pledges, assigns and delivers, to Lender, as appropriate, all deposits, credit and other property now or hereafter due from the Lender to the Borrower and (2) the right to set-off and apply (and a security interest in said right), from time to time hereafter and without demand or notice of any nature, all, or any portion, of such deposits, credits and other property, against the indebtedness evidenced by any of the Notes, whether the other collateral, if any, is deemed adequate or not.

(j) Rights Cumulative. All rights and remedies of the Lender, whether granted herein or otherwise, shall be cumulative and may be exercised singularly or concurrently and the Lender shall have, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of Pennsylvania. Except as otherwise provided by law, the Lender shall have no duty as to the collection or protection of the collateral or of any income thereon or as the preservation of any rights pertaining thereto beyond the safe custody thereof.

IN WITNESS WHEREOF, the Borrower and the Lender have executed this Loan Agreement as of the date first written above.

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Stephen Oney
Name: Stephen Oney, PhD
Title: Director & Chief Science Officer

DCO ENERGY, LLC

By: /s/ Frank DiCola
Name: Frank DiCola
Title: President & CEO

PROMISSORY NOTE

$1,000,000 February 10, 2012

FOR VALUE RECEIVED, Ocean Thermal Energy Corporation, a Delaware corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the "Borrower"), hereby promise to pay to the order of DCO Energy, LLC, a New Jersey limited liability company with offices at 5429 Harding Highway, Building 500, Mays Landing, New Jersey 08330 (the "Lender"), at 5429 Harding Highway, Building 500, Mays Landing, New Jersey 08330, or at any other place designated to the Borrower by the Lender in writing, the principal sum of One Million Dollars ($1,000,000), with interest as herein specified, and under the terms and conditions stated herein.

1. Repayment of Principal and Interest. Principal and interest shall be repaid by Borrower to Lender as follows: Commencing on March 3, 2012, Borrower shall make monthly payment of interest only, in arrears, with subsequent payments being made on the corresponding day of each succeeding month. The Borrower shall repay the principal amount of this Note ON DEMAND; provided, however, that if demand is not sooner made, on February 3, 2015 (the "Maturity Date"), the Borrower shall pay to the Lender the unpaid principal balance of the Loan, all accrued and unpaid interest thereon, and all other costs and amounts payable to the Lender hereunder.

All amounts payable hereunder are payable in lawful money of the United States of America at the address of the Lender set forth above in immediately available funds. Prior to a Default, all payments shall be applied first on account of other charges, second to accrued interest due on the unpaid balance of principal and finally the remainder of such payments shall be applied to unpaid principal. If a Default occurs, payments and monies received may be applied in any manner and order deemed appropriate by the Lender.

2 . Rates and Calculation of Interest. Interest on the outstanding and unpaid principal balance of the Loan shall be calculated for the actual number of days in the then current calendar year that principal is outstanding, based upon a year of three hundred sixty (360) days, accrue and shall be paid at the fixed rate of interest per annum equal to ten percent (10%).

In no event shall the rate of interest hereunder be in excess of the maximum amount permitted by law. In the event the rate of interest hereunder is determined to be in excess of the maximum amount permitted by law, such interest rate shall be automatically decreased to the maximum rate permitted by law.

In addition to all other rights contained in this Note, if a Default (defined herein) occurs and as long as a Default continues, all outstanding sums hereunder shall bear interest at the interest rate otherwise prevailing under the preceding paragraph, plus 3% (the "Default Rate"). The Default Rate shall also apply from acceleration until all unpaid sums and obligations (whether matured or contingent) hereunder and any judgment thereon are paid in full.

3. Prepayment. This Note may be prepaid in whole or in part at any time at the option of the Borrower without premium or penalty. Each prepayment shall be applied first to the payment in full of other charges payable hereunder, then to accrued interest and the remainder of such payment, if any, shall be applied to the reduction of the unpaid principal balance.

4. Loan Agreement. This Note is the Note referred to in the agreements between the Borrower, the Lender, and any surety executed in connection with this Note, including, but not limited to the Loan Agreement of even date herewith (the "Loan Agreement") and the Loan Documents referenced therein (the "Loan Documents"). The failure of the Borrower and/or any surety to execute any such agreement or other document shall not affect the validity of this Note. This Note shall evidence all obligations of the Borrower to the Lender under the Loan Agreement and Loan Documents.

5. Integration. The terms and conditions of this Note, together with the terms and conditions of the Loan Agreement and the Loan Documents, contains the entire understanding between the Borrower and the Lender with respect to the indebtedness evidenced hereby. Such understanding may not be amended, modified, or terminated except in writing duly executed by the parties hereto.

6. Default and Remedies. The occurrence of any default or event of default ("Default"), as defined in the Loan Agreement and/or the Loan Documents, shall constitute a Default of and under this Note.

When a Default occurs, the Lender, at its option, may declare the entire unpaid balance of principal of this Note, unpaid interest thereon and all other charges, costs and expenses provided for herein, in the Loan Agreement and/or any of the Loan Documents, and/or pursuant to any other agreements between Borrower and Lender, immediately due and payable without notice to or demand upon the Borrower. Upon the occurrence of a Default, the Lender shall have all of the rights and remedies with respect to this Note and with respect to all of the Lender's collateral and security as described or in the Loan Agreement, the Loan Documents, in this Note, and/or otherwise as provided for by law, in equity, mid otherwise, including the rights of a secured party under the Uniform Commercial Code of Pennsylvania.

7. Security. As security for the payment of this Note and for all other indebtedness, obligations, and undertakings of the Borrower under the Loan Agreement and the Loan Documents, the Borrower acknowledges that it has granted to Lender a security interest, mortgage and/or other liens and rights in all of the collateral and security described in the Loan Agreement and/or in the Loan Documents. The Lender shall have no duty or obligation to the Borrower, or to any endorser, guarantor, surety, or other party, to perfect any lien or security interest of the Lender in the Lender's collateral and security. In addition, the Lender shall not be required to marshal any collateral or security or guaranties or to resort to the same in any particular order.

8. Waiver. The undersigned hereby waives presentment for payment, demand, notice of nonpayment, notice of protest, and protest of this Note, and all of the notices in connection with delivery, acceptance, performance, default, or enforcement of the payment of this Note. The failure by the Lender to exercise any right or remedy shall not be taken to waive the exercise of the same thereafter for the same or any subsequent Default. The Borrower waives any claim of set-off, recoupment and/or counterclaim. All notices to the Borrower shall be adequately given if mailed postage prepaid to the address appearing in the Lender's records. The Borrower intends this Note to be a sealed instrument and to be legally bound hereby.

9. Holder. The references to "Lender" herein shall be deemed to be references to any subsequent assignee, transferee, or other holder of this Note.

10. Governing Law. This Note shall be construed in accordance with the domestic internal laws of the Commonwealth of Pennsylvania, without reference to any conflict of laws provisions, as a Note made, delivered and to be wholly performed within the Commonwealth of Pennsylvania.

11. Judicial Proceedings. Any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by the Borrower or the Lender, or any of their successors or assigns, on or with respect to this Note or the dealings of the Borrower or the Lender with respect hereto, shall be tried only by a court and not by a jury. THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION, OR PROCEEDING. In connection therewith, the Borrower agrees that any suit, action, or proceeding arising hereunder or with respect hereto will be instituted in the Court of Common Pleas of York County, Pennsylvania, or the United States District Court for the Middle District of Pennsylvania, and irrevocably and unconditionally submits to the jurisdiction of each such Court for such purpose. Further, the Borrower waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive, or consequential damages or any damages other than, or in addition to, actual damages. THE BORROWER ACKNOWLEDGES AND AGREES THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT THE LENDER WOULD NOT EXTEND CREDIT IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS NOTE.

12. Confession of Judgment. Upon Default, the Borrower hereby irrevocably authorizes the Prothonotary or any attorney of any court of record in Pennsylvania or elsewhere to appear for and confess judgment against the Borrower for any and all amounts unpaid hereunder, together with any other charges, costs and expenses for which Borrower is liable under this Note, and together with fees of counsel in the reasonable amount of five percent (5%) of all of the foregoing (but in no event less than $5,000.00) and costs of suit, releasing all errors and waiving all rights of appeal. If a copy of this Note, verified by affidavit, shall have been filed in such proceeding, it shall not be necessary to file the original as a warrant of attorney. The Borrower hereby waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect. No single exercise of this warrant and power to confess judgment shall be deemed to exhaust this power, whether or not any such exercise shall be held by any court to be invalid, voidable or void, but this power shall continue undiminished and may be exercised from time to time as often as the Lender shall elect until all sums due hereunder shall have been paid in full. Interest shall continue to accrue after entry of judgment hereunder, by confession, default, or otherwise, at the higher of the prevailing rate of interest under this Note, or the judgment rate of interest under applicable law. All waivers granted in this paragraph are given to the extent permitted by the Pennsylvania Rules of Civil Procedure.

13. NOTICE: THIS NOTE CONTAINS, AT PARAGRAPH 12, A WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER. IN GRANTING THIS WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER, THE BORROWER HEREBY KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY, AND ON THE ADVICE OF SEPARATE COUNSEL OF THE BORROWER, UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS THE BORROWER HAS OR MAY HAVE TO PRIOR NOTICE AND AN OPPORTUNITY FOR HEARING UNDER THE RESPECTIVE CONSTITUTIONS AND LAWS OF THE UNITED STATES, THE COMMONWEALTH OF PENNSYLVANIA, OR OF ANY OTHER STATE.

BORROWER:

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Stephen Oney, PhD
Name: Stephen Oney, PhD
Title: Director & Chief Science Officer

DISCLOSURE FOR CONFESSION OF
JUDGMENT AND EXECUTION FOR NON-INDIVIDUALS

DATE: February 10, 2012

1. TODAY, THE UNDERSIGNED FIRM IS EXECUTING A PROMISSORY NOTE AND OTHER RELATED INSTRUMENTS FOR $1,000,000, OBLIGATING THE UNDERSIGNED FIRM TO PAY THAT AMOUNT.

2. A REPRESENTATIVE OF THE LENDER (OR OUR INDEPENDENT LEGAL COUNSEL) (THE "REPRESENTATIVE") HAS EXPLAINED TO US IN OUR CAPACITIES AS A REPRESENTATIVE OF THE UNDERSIGNED FIRM THAT THE NOTE THE UNDERSIGNED FIRM IS SIGNING CONTAINS WORDING THAT WOULD PERMIT THE LENDER TO OBTAIN A JUDGMENT AGAINST THE UNDERSIGNED FIRM AT THE COURTHOUSE. THE REPRESENTATIVE HAS ALSO EXPLAINED TO US IN OUR CAPACITIES OF PRESIDENT AND SECRETARY RESPECTIVELY OF THE UNDERSIGNED FIRM THAT THE JUDGMENT MAY BE OBTAINED AGAINST THE UNDERSIGNED FIRM WITHOUT NOTICE TO THE UNDERSIGNED FIRM AND WITHOUT OFFERING THE UNDERSIGNED FIRM AN OPPORTUNITY TO DEFEND AGAINST THE ENTRY OF THE JUDGMENT, AND THAT THE JUDGMENT MAY BE COLLECTED BY ANY LEGAL MEANS.

3. THE REPRESENTATIVE HAS ALSO EXPLAINED TO US IN OUR CAPACITIES AS A REPRESENTATIVE OF THE UNDERSIGNED FIRM THAT COLLECTION OF THE JUDGMENT MAY BE ACCOMPLISHED BY THE ISSUANCE OF A WRIT OF EXECUTION, GARNISHMENT, LEVY AND/OR OTHER EXECUTION PROCEEDINGS WHICH MAY BE COMMENCED AGAINST THE UNDERSIGNED FIRM BY THE LENDER WITHOUT PRIOR NOTICE AND HEARING AND THAT EXECUTION PROCEEDINGS MAY INVOLVE THE SEIZURE AND SALE OF THE UNDERSIGNED FIRM'S PROPERTY BY A SHERIFF, MARSHALL OR OTHER AUTHORITY.

4. IN SIGNING THE NOTE, THE UNDERSIGNED FIRM IS KNOWINGLY, UNDERSTANDINGLY AND VOLUNTARILY CONSENTING TO THE CONFESSION OF JUDGMENT AND THE UNDERSIGNED FIRM IS WAIVING THE UNDERSIGNED FIRM'S RIGHTS, TO THE EXTENT PERMITTED BY LAW, TO RESIST THE ENTRY OF JUDGMENT AGAINST THE UNDERSIGNED FIRM AT THE COURTHOUSE INCLUDING:

(a) THE RIGHT TO NOTICE AND A HEARING;
(b) THE RIGHT TO REDUCE OR SET-OFF A CLAIM BY DEDUCTING A CLAIM THE UNDERSIGNED FIRM MAY HAVE AGAINST THE LENDER (CALLED THE "RIGHT OF DEFALCATION");
(c) RELEASE OF ERROR;
(d) INQUEST (THE RIGHT TO ASCERTAIN WHETHER THE RENTS AND PROFITS OF THE UNDERSIGNED FIRM'S REAL ESTATE WILL BE SUFFICIENT TO SATISFY THE JUDGMENT WITHIN SEVEN YEARS);
(e) STAY OF EXECUTION;
(f) EXEMPTION LAWS NOW IN FORCE OR HEREAFTER TO BE PASSED;
(g) THE RIGHT TO DEFEND AGAINST THE ENTRY OF JUDGMENT AGAINST THE UNDERSIGNED FIRM.

5. IN SIGNING THE NOTE, THE UNDERSIGNED FIRM IS KNOWINGLY, UNDERSTANDINGLY AND VOLUNTARILY CONSENTING TO THE ISSUANCE AND PURSUIT AGAINST THE UNDERSIGNED FIRM OF EXECUTION, GARNISHMENT, LEVY AND/OR OTHER EXECUTION PROCEEDINGS AND WAIVING THE UNDERSIGNED FIRM'S RIGHTS, TO THE EXTENT PERMITTED BY LAW, TO NOTICE AND A HEARING PRIOR TO THE ISSUANCE AND PURSUIT OF EXECUTION, GARNISHMENT, LEVY AND/OR OTHER EXECUTION PROCEEDINGS.

6. THE UNDERSIGNED FIRM CERTIFIES THAT THE UNDERSIGNED FIRM HAS DISCUSSED THIS DISCLOSURE WITH THE UNDERSIGNED FIRM'S ATTORNEY-AT-LAW AND THE ATTORNEY-AT-LAW FULLY EXPLAINED TO THE UNDERSIGNED FIRM THE CONTENTS AND MEANING OF THIS DISCLOSURE.

THE UNDERSIGNED FIRM IS A CORPORATION WHICH IS INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND THE UNDERSIGNED INDIVIDUALS ARE THE REPRESENTATIVES OF THE UNDERSIGNED FIRM DULY AUTHORIZED TO EXECUTE THIS DISCLOSURE ON BEHALF OF THE UNDERSIGNED FIRM. WE CERTIFY THAT THE BLANKS IN THIS DISCLOSURE WERE FILLED IN WHEN WE INITIALED AND SIGNED IT, AND THAT THE UNDERSIGNED FIRM RECEIVED A COPY OF THE DISCLOSURE AT THE TIME OF SIGNING.

TERMS USED HEREIN SHALL BE CONSTRUED AS USED AND/OR DEFINED IN THE NOTE.

NAME OF FIRM: OCEAN THERMAL ENERGY CORPORATION

By: /s/ Stephen Oney, PhD
Name: Stephen Oney, PhD
Title: Director & Chief Science Officer

STATE OF HAWAII)
ss.
CITY AND COUNTY OF HONOLULU)

On this 13th day of February, 2012, before me appeared STEPHEN ONEY, PHD, to me personally known, who being by me duly sworn, did say that he is the Director & Chief Science Officer of OCEAN THERMAL ENERGY CORPORATION, a Delaware corporation; and that said instrument was signed on behalf of OCEAN THERMAL ENERGY CORPORATION, and that said officer acknowledged said instrument to be the fee act and deed of OCEAN THERMAL ENERGY CORPORATION.

/s/ Luz D. Casiles
Print Name: Luz D. Casiles
Notary Public, State of Hawaii
My commission expires: 6/2/2014

NOTARY CERTIFICATION STATEMENT

Document Identification or Description:
DISCLOSURE FOR CONFESSION OF JUDGMENT AND EXECUTION FOR NON-INDIVIDUALS
(Put title of document, together with Apt. No. and Name of Project)
Document Date: 2/13/2012
No. of Pages: 7 Jurisdiction: First Circuit (in which notarial act is performed)
/s/ Luz D. Casiles
Signature of Notary
Date of Notarization and Certification Statement
[notary stamp]
(Official Stamp or Seal)
Printed Name of Notary: Luz D. Casiles

WARRANT

to Purchase up to 3,295,761 Shares of the

Common Stock, $-0- Par Value Per Share,

of

OCEAN THERMAL ENERGY CORPORATION

This is to certify that, for value received, DCO Energy, LLC ("Lender") or any permitted transferee (Lender or such transferee being hereinafter called the "Holder") is entitled to purchase, subject to the provisions of this Warrant, from Ocean Thermal Energy Corporation, a Delaware corporation ("OTEC"), at any time on or after the date hereof, an aggregate of up to 3,295,761 fully paid and non-assessable shares of common stock, $ -0- par value (the "Common Stock"), of OTEC at a price per share equal to $0.50, subject to adjustment as herein provided (the "Exercise Price").

1. Exercise of Warrant. Subject to the provisions hereof, this Warrant may be exercised, in whole or in part, or sold, assigned or transferred at any time or from time to time on or after the date hereof. This Warrant shall be exercised by presentation and surrender hereof to OTEC at the principal office of OTEC, accompanied by (i) a written notice of exercise and (ii) payment to OTEC, for the account of OTEC, of the Exercise Price for the number of shares of Common Stock specified in such notice. . The Exercise Price for the number of shares of Common Stock specified in the notice shall be payable in immediately available funds.

Upon such presentation and surrender, OTEC shall issue promptly (and within one business day if reasonably requested by the Holder) to the Holder or its assignee, transferee or designee the number of shares of Common Stock to which the Holder is entitled hereunder. OTEC covenants and warrants that such shares of Common Stock, when so issued, will be duly authorized, validly issued, fully paid and non-assessable, and free and clear of all liens and encumbrances.

If this Warrant is exercised in part only, OTEC shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the shares of Common Stock issuable hereunder. Upon receipt by OTEC of this Warrant, in proper form for exercise, the Holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of OTEC may then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder. OTEC shall pay all expenses, and any and all United States federal, state and local taxes and other charges, that may be payable in connection with the preparation, issuance and delivery of stock certificates pursuant to this Paragraph 1 in the name of the Holder or its assignee, transferee or designee.

2 . Reservation of Shares; Preservation of Rights of Holder . OTEC shall at all times while this Warrant is outstanding and unexercised, maintain and reserve, free from preemptive rights, such number of authorized but unissued shares of Common Stock as may be necessary so that this Warrant may be exercised without any additional authorization of Common Stock after giving effect to all other options, warrants, convertible securities and other rights to acquire shares of Common Stock at the time outstanding. OTEC further agrees that (i) it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act or omission, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder, and (ii) it will promptly take all action reasonably necessary to protect the rights of the Holder against dilution as provided herein.

3. Fractional Shares. OTEC shall not be required to issue any fractional shares of Common Stock upon exercise of this Warrant. In lieu of any fractional shares, the Holder shall be entitled to receive an amount in cash equal to the amount of such fraction multiplied by the Exercise Price.

4. Exchange or Loss of Warrant . This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof at the principal office of OTEC for other warrants of different denominations entitling the Holder to purchase, in the aggregate, the same number of shares of Common Stock issuable hereunder. The term "Warrant" as used herein includes any warrants for which this Warrant may be exchanged. Upon receipt by OTEC of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, OTEC will execute and deliver a new Warrant of like tenor and date.

5. Adjustment. The number of shares of Common Stock issuable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as provided in this Paragraph.

(A) Stock Dividends, etc .

(1) Stock Dividends. In case OTEC shall pay or make a dividend or other distribution on any class of capital stock of OTEC payable in Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction of which the denominator shall be the number of shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such distribution and the numerator shall be the sum of such number of shares and the total number of shares of Common Stock constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following such distribution.

(2) Subdivisions. In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately decreased, such increase or decrease, as the case may be, to become effective immediately after the opening of business on the day following the date upon which such subdivision or combination becomes effective.

(3) Reclassifications. The reclassification of Common Stock into securities (other than Common Stock) and/or cash and/or other consideration shall be deemed to involve a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number or amount of securities and/or cash and/or other consideration outstanding immediately thereafter and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective," or "the day upon which such combination becomes effective," as the case may be, within the meaning of clause (2) above.

(4) Optional Adjustments. OTEC may make such increases in the number of shares of Common Stock issuable upon exercise of this Warrant, in addition to those required by this subparagraph (A), as shall be determined by its Board of Directors to be advisable in order to avoid taxation so far as practicable of any dividend of stock or stock rights or any event treated as such for federal income tax purposes to the recipients.

(5) Adjustment to Exercise Price. Whenever the number of shares of Common Stock issuable upon exercise of this Warrant is adjusted as provided in this Paragraph 5(A), the Exercise Price shall be adjusted by a fraction in which the numerator is equal to the number of shares of Common Stock issuable prior to the adjustment and the denominator is equal to the number of shares of Common Stock issuable after the adjustment, rounded to the nearest cent.

(B) Certain Sales of Common Stock.

(1) Adjustment to Shares Issuable. If and whenever OTEC sells or otherwise issues (other than under circumstances in which Paragraph 5(A) applies) any shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction, the denominator of which shall be the number shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such sale or issuance and the numerator of which shall be the sum of such number of shares and the total number of shares constituting such sale or other issuance, such increase to become effective immediately after the opening of business on the day following such sale or issuance.

(2) Adjustment to Exercise Price. If and whenever OTEC sells or otherwise issues any shares of Common Stock (excluding any stock dividend or other issuance not for consideration to which Paragraph 5(A) applies or shares of Common Stock issued or issuable in connection with awards granted under the OTEC Stock Option Plans) for a consideration per share which is less than the Exercise Price at the time of such sale or other issuance, then in each such case the Exercise Price shall be forthwith changed (but only if a reduction would result) to the price (calculated to the nearest cent) determined by dividing: (i) an amount equal to the sum of (aa) the number of shares of Common Stock outstanding immediately prior to such issue or sale, multiplied by the then effective Exercise Price, plus (bb) the total consideration, if any, received and deemed received by OTEC upon such issue or sale, by (ii) the total number of shares of Common Stock outstanding immediately after such issue or sale.

(C) Definition. For purposes of this Paragraph 5, the term "Common Stock" shall include (1) any shares of OTEC of any class or series which has no preference or priority in the payment of dividends or in the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of OTEC and which is not subject to redemption by OTEC, and (2) any rights or options to subscribe for or to purchase shares of Common Stock or any stock or securities convertible into or exchangeable for shares of Common Stock (such convertible or exchangeable stock or securities being hereinafter called "Convertible Securities"), whether or not such rights or options or the right to convert or exchange any such Convertible Securities are immediately exercisable. For purposes of any adjustments made under Paragraph 5(A) or 5(B) as a result of the distribution, sale or other issuance of rights or options or Convertible Securities, the number of shares of Common Stock outstanding after or as a result of the occurrence of events described in Paragraph 5(A)(1) or 5(B)(1) shall be calculated by assuming that all such rights, options or Convertible Securities have been exercised for the maximum number of shares issuable thereunder.

6 . Notice. Whenever the number of shares of Common Stock for which this Warrant is exercisable is adjusted as provided in Paragraph 5, OTEC shall promptly compute such adjustment and mail to the Holder a certificate, signed by the principal financial officer of OTEC, setting forth the number of shares of Common Stock for which this Warrant is exercisable as a result of such adjustment having become effective.

7. Rights of the Holder .

(A) Without limiting the foregoing or any remedies available to the Holder, it is specifically acknowledged that the Holder would not have an adequate remedy at law for any breach of the provisions of this Warrant and shall be entitled to specific performance of OTEC's obligations under, and injunctive relief against any actual or threatened violation of the obligations of any person subject to, this Warrant.

(B) The Holder shall not, by virtue of its status as Holder, be entitled to any rights of a stockholder in OTEC.

8. Termination. This Warrant and the rights conferred hereby shall terminate on February 3, 2015.

9 . Governing Law. This Warrant shall be deemed to have been delivered in, and shall be governed by and interpreted in accordance with the substantive laws of, the Commonwealth of Pennsylvania, except to the extent that Delaware law may govern certain aspects of this Warrant as it relates to OTEC.

Dated: February 10, 2012

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Stephen Oney, PhD
Name: Stephen Oney, PhD
Title: Director & Chief Science Officer

FORBEARANCE AND LOAN EXTENSION AGREEMENT

This FORBEARANCE AND LOAN EXTENSION AGREEMENT (this " **Amendment**"), is entered into this 1st day of April, 2016, by and between OCEAN THERMAL ENERGY CORPORATION, a Delaware corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the "**Borrower**"), and DCO ENERGY, LLC, a New Jersey limited liability company with offices at 5429 Harding Highway, Building 500, Mays Landing, New Jersey 08330 (the "**Lender**"), on the following:

Premises

Borrower and Lender entered into that certain Loan Agreement as of February 10, 2012 (the " **Loan Agreement**"), providing for a loan of $1,000,000 from Lender to Borrower (the "**Loan**"). The obligation to repay the Loan is evidenced by that certain Promissory Note of even date executed and delivered by Borrower to Lender (the " **Note**"). The obligations evidenced by the Loan Agreement and Note are secured by a lien created under a Security Agreement dated as of the date of the Note and Loan Agreement. As additional consideration for the Loan, Borrower granted to Lender a warrant to purchase 3,295,761 shares of Borrower's common stock at a price of $0.50 per share at any time on or before February 3, 2015 (the "**Warrant**"). The Loan Agreement, the Note, the Security Agreement, and the Warrant are together referred to as the " **Loan Documents**." Pursuant t the terms of the Loan Documents, the Note was payable in full on or before February 3, 2015. The Note was not paid when due and is now in default.

Lender desires to forbear from seeking collection of the Note and exercising its remedies under the Loan Documents in order to enhance its financial recovery and obtain an extension of the Warrant.

Agreement

NOW THEREFORE, for and in consideration of the foregoing premises, which are incorporated herein by reference, the mutual promises and covenants set forth herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows.

1. Confirmation of Indebtedness. Borrower confirms the indebtedness due Lender under the Loan Documents.

2. Waiver of Default. Lender waives Borrower's default as of the date of this Amendment under the Loan Documents and agrees not to take any action or seek any remedy or relief under any of the Loan Documents arising from the non-payment by Borrower of the Note and Loan as of the date hereof.

3. Forbearance and Extension. Lender shall forbear from collecting the Loan and Note under the Loan Documents or exercising any right or remedy thereunder as of the date hereof and extends the due date for repayment of the Loan and the payment of the Note to February 3, 2017. The Lender shall mark conspicuously on the original of the Note in Lender's possession the foregoing extension or, at the request of the Borrower, execute and deliver to Borrower an amendment or allonge to be affixed to the Note further evidencing such extension.

4. Extension of Warrant. Borrower extends the expiration date of the Warrant so that it evidences the right of the Lender to purchase 3,295,761 shares of Borrower's common stock at a price of $0.50 per share at any time on or before February 3, 2017. At the request of Lender, Borrower will execute and deliver to Lender a new replacement Warrant reflecting these revised terms against surrender of the original Warrant.

5. Confirmation of Loan Documents. Except as expressly modified by the terms of this Amendment, the terms, covenants, conditions, representations, and warranties, and each of them, shall remain in full force and effect.

6. Signature. This Amendment may be executed in multiple counterparts of like tenor, each of which shall be deemed an original and all of which taken together will constitute one and the same instrument. Counterpart signatures of this Amendment that are manually signed and delivered by a uniquely marked, computer-generated signature in portable document format (PDF) or other electronic method shall be deemed to constitute signed original counterparts hereof and shall bind the parties signing and delivering in such manner and shall be the same as the delivery of an original.

DATED as of the year and date first above written by the undersigned duly authorized signatories.

BORROWER:

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy Feakins
Name: Jeremy Feakins
Title: Chairman & CEO

LENDER

DCO ENERGY, LLC

By: /s/ Frank DiCola
Name: Frank DiCola
Title: President & CEO

LOAN AGREEMENT

This Loan Agreement (the " **Loan Agreement**") is made as of [date], 2013, by and between [name of lender] (the " **Lender**") and Ocean Thermal Energy Corporation, a Delaware corporation with its registered offices at 800 South Queen Street, Lancaster, PA 17603 (the "**Borrower**").

WITNESSETH:

WHEREAS, the Borrower desires to obtain certain credit facilities, as set forth in this Loan Agreement, and the Lender is willing to provide such credit facilities on the terms and conditions set forth herein;

NOW, THEREFORE, the Lender and the Borrower, intending to be legally bound, hereby agree as follows:

1. The Credit Facilities. The Lender agrees, pursuant to the terms ark conditions of this Loan Agreement and the other Loan Documents (as defined below), to make a loan to the Borrower in the original principal amount of [note amount] ($[note amount]) (the "**Loan**"). The Loan shall be evidenced by a Note (the " **Note**") and shall be made in accordance with and subject to the terms and conditions of this Loan Agreement, the Note and the other Loan Documents.

2. The Loan Documents. The following documents and materials (together with this Loan Agreement and any other accessory documents executed in connection herewith, such documents and materials, as they may be amended, restated, renewed and extended, are collectively referred to herein as the "**Loan Documents**") have been or will be executed in connection with the Loan:

a. Note;

b. Security Agreement, of even date herewith, between Lender and Borrower (the " **Security Agreement**").

A warrant, of even date herewith, granting to Lender, as additional consideration for making the Loan to Borrower, the right to purchase [warrant share number] fully paid and nonassessable shares of common stock of Ocean Thermal Energy Corporation ("**OTE**") at a price per share equal to a 10% discount off the price of OTE's common stock as at the time of the IPO of OTE on either the Alternative Investment Market (AIM) of the London Stock Exchange, or the opening share price of the Reverse Merger on the US Over the Counter (OTC) or NASDAQ market.

3 Interest Rate. The Loan shall bear interest as set forth in the Note.

4. Repayment. Repayment of the Loan shall be made as set forth in the Note, and pre-payment shall be permitted as therein specified.

5. Use of Proceeds . The proceeds of the Loan shall be used to support the operational, development and construction costs for the Baha Mar SDC prefect.

6. Collateral. The Loan will be secured by a first lien security interest in the assets of Borrower now owned or hereafter acquired as more specified set forth in the Security Agreement.

7. Representations and Warranties. The Borrower, in order to induce the Lender to make the Loan, make the following representations, warranties and promises:

a. Good Standing. Each Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the place of its incorporation, with powers adequate to own its properties, and to carry on its business as presently conducted by it.

b. Authority; Binding Agreement. The execution, delivery and performance of the Loan Documents are within the corporate power of the Borrower, have been duly authorized by the Borrower and are not in contravention of law or the terms of the Borrower's Articles of Incorporation and By-Laws. The execution, delivery and performance of the Loan Documents does not and will not contravene any documents, agreements or undertakings to which the Borrower or either of them is a party or by which either is bound. No approval of any person, corporation, governmental body or other entity is a prerequisite to the execution, delivery, validity or enforceability and performance of the Loan Documents. When executed by the Borrower, the Loan Documents to which the Borrower is a party will constitute the legally binding obligations of the Borrower, enforceable in accordance with their terms except as the enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.

c. Financial Information. Subject to any limitation stated therein or in connection therewith, all balance sheets, earning statements, accounts receivable lists and aging schedules and other financial data which have been or shall be furnished to the Lender by the Borrower to induce the Lender to enter into this Loan Agreement or otherwise in connection herewith, do or will fairly represent the financial condition of the Borrower in all material respects, are accurate, complete and correct in all material respects insofar as completeness may be necessary to give the Lender a true and accurate knowledge of the subject matter as of the date hereof. There are no material liabilities, direct or indirect, fixed or contingent, of the Borrower as of the date of such financial statements which are not reflected therein or in the notes thereto. There has been no material adverse change in the financial condition or operations of the Borrower since the date of said financial statements or since the respective dates on which either furnished the Lender with other financial data or other representations about their financial condition.

d. Solvency. Any borrowings to be made by Borrower under this Loan Agreement do not and will not render Borrower, or either of them, insolvent. Neither of the Borrower is contemplating either the filing of a petition under any state or federal bankruptcy or insolvency laws, or the liquidation of all or a major portion of its property, and neither of the Borrower has any knowledge or any reason to know of any person contemplating the filing of any such petition against it.

8. Covenants. The Borrower agrees with the Lender that during the term of this Agreement and the other Loan Documents, and any extensions, replacements or renewals thereof (except as otherwise agreed by the Lender in writing):

a. Insurance. The Borrower shall maintain adequate fire and extended coverage insurance, with the Lender named as lender loss payee, as well as general liability, business interruption and other insurance policies as are customary. All such insurance:

i. Shall be issued in such amounts and by such companies as are satisfactory to the Lender; and

ii. Shall contain provisions providing for thirty (30) days' prior written notice to the Lender of any intended change or cancellation and providing that no such change or cancellation shall be effective as to the Lender in the absence of such notice.

b. Notice of Default; Litigation. The Borrower shall notify the Lender in writing immediately upon becoming aware of any default hereunder, or of any actions, suits, investigations, or proceedings at law, in equity or before any governmental authority that may have a material adverse effect on the Borrower, pending or threatened, against or affecting the Borrower or any collateral securing the Loan or involving the validity or enforceability of the Loan Documents or the priority of the liens created thereunder.

c. Financial Information. The Borrower shall make available upon request to the Lender on an annual basis, annual financial statements of the Borrower, compiled by certified public accountants, within one hundred twenty (120) days after the end of each fiscal year.

d. Expenses. The Borrower shall pay all costs and expenses (including, but not limited to, attorneys' fees) incidental to the Loan, to the preservation and priority of the Lender's liens and security interests under the Loan Documents and to the collection of all obligations pursuant to the Loan Documents.

e. Deposit Relationship. The Borrower shall establish and maintain their primary deposit relationship with a reputable financial institution.

f. Further Assurances. The Borrower shall execute such documents as the Lender may reasonably request relating to the Loan.

g. Nature of Business. Neither Borrower shall enter into any type of business other than that in which it is presently engaged, or otherwise significantly change the scope or nature of its business.

h. Mergers, Etc. Neither Borrower shall wind up, liquidate or dissolve, reorganize, merge or consolidate with or into, or convey, sell, assign, transfer, lease, or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person, or acquire all or substantially all of the assets or the business of any person except as part of a purchase of the completed Seawater District Cooling project by Baha Mar, Ltd.

i. Sale of Assets, Etc. The Borrower shall not sell, lease, assign, transfer, or otherwise dispose of any of its now owned or hereafter acquired assets, except: (1) inventory disposed of in the ordinary course of business; (2) the sale or other disposition of assets no longer used or useful in the conduct of its business; and (3) as part of a purchase of the completed Seawater District Cooling project by Baha Mar, Ltd.

j. Additional Borrowings. Borrower shall not create, incur, assume, or suffer to exist, any indebtedness, except: (i) borrowings pursuant to this Agreement; (ii) unsecured trade credit incurred in the ordinary course of business which are paid in a timely manner; (iii) other obligations to the Lender; (iv) borrowings used to prepay in full the Borrower' obligations under the Loan Documents; and (v) other permitted borrowings set forth on Schedule 10(j) hereto.

k. Guaranties, Etc. The Borrower shall not assume, guaranty, endorse, or otherwise be or become directly or contingently responsible or liable (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods, or services, or to supply or advance any funds, assets, goods, or services, or an agreement to maintain or cause such person to maintain a minimum working capital or net worth, or otherwise to assure the creditors of any person against loss) for obligations of any person, except (i) guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business and (ii) guaranties in favor of the Lender.

l. Liens, Etc. Borrower shall not create, incur, assume or suffer to exist, any mortgage, security interest, pledge, lien, charge or other encumbrance of any nature whatsoever on any of their respective assets, now or hereafter owned, other than (i) liens in favor of the Lender; (ii) liens under workmen's compensation, unemployment insurance and social security or similar laws; (iii) liens imposed by law, such as carriers, warehousemen's or mechanic's liens, incurred in good faith in the ordinary course of business which are not past due for more than thirty (30) days (other than to the extent a longer period is permitted by their creditors in the ordinary course of business) or which are being contested in good faith by appropriate proceedings, a stay of execution having been served; and (iv) other permitted liens set forth on Schedule 10(l) hereto.

m. Loan and Advances. The Borrower shall not make any additional loans or advances to any individual, firm or corporation.

n. Notwithstanding anything to the contrary herein or in the Loan Documents, the Borrower shall be permitted to provide security interests to Baha Mar, Ltd. and /or the Senior Baha Mar Project Lender (as that term is defined in the Loan Documents).

9. Conditions Precedent. The obligation of the Lender to make the Loan is subject to the satisfaction by the Borrower of the following conditions precedent:

a. The Borrower' representations and warranties as contained herein shall be accurate and complete as of the date of closing.

b. The Borrower shall not be in default under any of the covenants contained herein as of the date of closing.

c. The Borrower shall have executed and delivered all of the Loan Documents to which it is a party.

10. Events of Default; Acceleration; Remedies . The occurrence of any one or more of the following events shall constitute a default (an " **Event of Default**") under this Agreement:

a. If any statement, representation or warranty made by the Borrower in the Loan Documents, in connection therewith or any financial statement, report, schedule, or certificate furnished to the Lender by the Borrower, any of its representatives, employees or accountants during the term of this Agreement shall prove to have been false or misleading when made in any material respect.

b. Default by the Borrower in payment within thirty (30) days of the due date of any principal or interest or other amounts called for under the Loan Documents.

c. Default by the Borrower in the performance or observance of any of its obligations under the provisions, terms, conditions, warranties or covenants of the Loan Documents and such failure shall continue for a period of thirty (30) days or more following receipt of written notice thereof from the Lender.

d. Either of the Borrower shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of their or its property, (ii) admit in writing their or its inability to pay their or its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it or he in any proceeding under any such law or (vi) offer or enter into any compromise, extension or arrangement seeking relief or extension of their or its debts.

e. In the event that proceedings shall be commenced or an order, judgment or decree shall be entered against either of the Borrower, without the application, approval or consent of such Borrower (as the case may be) in or by any court of competent jurisdiction, relating to the bankruptcy, dissolution, liquidation, reorganization or the appointment of a receiver, trustee or liquidator of such Borrower of all or a substantial part of their or its assets, and such proceedings, order, judgment or decree shall continue undischarged or unstayed for a period of 90 days.

Upon the occurrence of any Event of Default, automatically upon an Event of Default under subsection (h) or (i) of this Section or otherwise at the election of the Lender, (i) all of the obligations of the Borrower to the Lender, either under this Loan Agreement or otherwise, will immediately become due and payable without further demand, notice or protest, all of which are hereby expressly waived; (ii) the Lender may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Borrower, either jointly or severally, and may proceed to liquidate and realize upon any of its collateral in accordance with the rights of a mortgagee or a secured party under the Uniform Commercial Code, any other applicable law, any Loan Document, any agreement between the Borrower and the Lender; and/or (iii) the Lender's commitment to make further loans under this Agreement or any other agreement with either of the Borrower will immediately cease and terminate.

11. General Provisions. The Lender and the Borrower agree as follows with respect to the Loan Documents:

a. Waivers.

i. The Borrower hereby waive, to the fullest extent permitted by law, presentment, notice, protest and all other demands and notices of any description and assent (1) to any extension of the time of payment or any other indulgence, (2) to any substitution, exchange or release of collateral, and (3) to the release of any other person primarily or secondarily liable for the obligations evidenced hereby.

ii. No delay or omission on the part of the Lender in exercising any right, privilege or remedy hereunder shall operate as a waiver of such right, privilege or remedy or of any other right, privilege or remedy under the Loan Documents. No waiver of any right, privilege or remedy or any amendment to the Loan Documents shall be effective unless made in writing and signed by the Lender. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right, privilege and/or remedy on any future occasion. No single or partial exercise of any power hereunder shall preclude other or future exercise thereof or the exercise of any other right. The acceptance by the Lender of any payment after any default under the Loan Documents shall not operate to extend the time of payment of any amount then remaining unpaid hereunder or constitute a waiver of any rights of the Lender hereof under the Loan Documents.

b. Binding Agreement. The Loan Documents shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns.

c. Entire Agreement and Amendment. The Loan Documents constitute the entire agreement between the Lender and the Borrower with respect to the Loan and shall not be changed in any respect except by written instrument signed by the parties thereto.

d. Governing Law. The Loan Documents and all rights and obligations thereunder, including matters of construction, validity, and performance, shall be governed by and interpreted in accordance with the substantive laws of, the Commonwealth of Pennsylvania.

e. Severability. If any term, condition, or provision of the Loan Documents or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable according to law, then the remaining terms, conditions, and provisions of the Loan Documents, or the application of any such invalid or unenforceable term, condition or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term, condition, and provision of the Loan Documents shall be valid and enforced to the fullest extent permitted by law.

f. Notice. Any demand or notice required or permitted under the Loan Documents shall be effective if either: (i) hand-delivered to the addressee, or (ii) five days after delivered to a private express company addressed to the addressee; (A) at the address shown below, or (B) if such party has provided the other in writing with a change of address, at the last address so provided. Any notice or demand mailed as provided in this paragraph shall be deemed given and received on the earlier of: (i) the date received; (ii) or the dote of refusal or non-delivery as indicated on the return receipt, if sent by private express as provided above.

Lender: [lender name]

Company: [company name]

Name: [name]

Address: [address]

Telephone: [telephone]

Email: [email]

SS# or Fed EIN#: [number]

Borrower:
Ocean Thermal Energy Corporation
800 South Queen Street
Lancaster, PA 17603
Telephone: (717) 299-1344
Email: jeremy@otecorporation.com

With a copy to:

Gerald Koenig
General Counsel
Ocean Thermal Energy Corporation
8220 Crestwood Heights Drive, #1105
McLean, VA 22102
Telephone: (703) 725-4002
Email:gerald@otecorporation.com

g. Costs of Collection. The Borrower agrees to pay on demand all reasonable out-of-pocket costs of collection under the Loan Documents, including reasonable attorneys' fees, whether or not any foreclosure or other action is instituted by the Lender in its discretion.

h. Rights Cumulative. All rights and remedies of the Lender, whether granted herein or otherwise, shall be cumulative and may be exercised singularly or concurrently, and the Lender shall have, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code of Pennsylvania. Except as otherwise provided by law, the Lender shall have no duty as to the collection or protection of the collateral or of any income thereon, or as to the preservation of any rights pertaining thereto beyond the safe custody thereof.

IN WITNESS WHEREOF, the Borrower and the Lender have executed this Loan Agreement as of the date indicated above.

Ocean Thermal Energy Corporation

By: /s/ Jeremy Feakins
Name: Jeremy Feakins
Title: Chairman & CEO

[Lender]

By: /s/ [name]
Name: [name]
Title: [title]

PROMISSORY NOTE

$[note amount] [note date], 2013

FOR VALUE RECEIVED, Ocean Thermal Energy Corporation, a Delaware Corporation with its registered offices at 800 South Queen Street, Lancaster, PA 17603 (the " **Borrower**") hereby promise to pay to the order of [lender name], a [type of person], at [lender's address] (the "**Lender**), or at any other place designated to the Borrower by the Lender in writing, the principal sum of [note amount] ($[note amount]), with interest as herein specified, and under the terms and conditions stated herein.

1. Repayment of Principal and Interest . Principal and interest shall be repaid by Borrower to Lender as follows: Commencing on [date], 2014, Borrower shall make annual interest only payments in arrears (the "**Payment Amounts**") with subsequent payments being made on the corresponding day of each of succeeding year until [date], 2023, at which time the principal shall be repaid together with the final interest payment.

All amounts payable hereunder are payable in United States Dollars at the address of the Lender set forth above in immediately available funds. Prior to a Default, all payments shall be applied first on account of other charges, second to accrued interest due on the unpaid balance of principal and finally the remainder of such payments shall be applied to unpaid principal. If a Default occurs, payments and monies received may be applied in any manner and order deemed appropriate by the Lender.

2. Rates and Calculation of Interest . Interest on the outstanding and unpaid principal balance of the Loan shall be calculated for the actual number of days in the then current calendar year that principal is outstanding, based upon a year of three hundred sixty (360) days, accrue and shell, be paid at the fixed rate of interest per annum equal to ten percent (10%).

In no event shall the rate of interest hereunder be in excess of the maximum amount permitted by law. In the event the rate of Interest hereunder is determined to be in excess of the maximum amount permitted by law, such interest rate shall be automatically decreased to the maximum rate permitted by law.

In addition to all other rights contained in the Note, if a Default (defined herein) occurs and as long as a Default continues, all outstanding sums hereunder shall bear interest at the interest rate otherwise prevailing under the preceding paragraph, plus 3% (the "Default Rate"). The Default Rate shall also apply from acceleration until all unpaid sums and obligations (whether matured or contingent) hereunder and any judgment thereon are paid in full.

3. Prepayment. This Note may be prepaid in whole or in part at any time at the option of the Borrower without premium or penalty. Each prepayment shall be applied first to the payment in full of other charges payable hereunder, then to accrued interest and the remainder of such payment, if any, shall be applied 7.3 the reduction of the unpaid principal balance.

4. Loan Agreement. This Note is the Note referred to in the agreements between the Borrower, the Lender, and any surety executed in connection with this Note, including, but not limited to the Loan Agreement of even date herewith (the "**Loan Agreement**") and the Loan Documents referenced therein (the " **Loan Documents**"). The failure of the Borrower and/or any surety to execute any such agreement or other document shall not affect the validity of this Note. This Note shall evidence all obligations of the Borrower to the Lender under the Loan Agreement and Loan Documents.

5. Integration. The terms and conditions of this Note, together with the terms and conditions of the Loan Agreement and the Loan Documents, contains the entire understanding between the Borrower and the Lender with respect to the indebtedness evidenced hereby. Such understanding may not be amended, modified, or terminated except in writing duly executed by the parties hereto.

6. Default and Remedies. The occurrence of any default or event of default (" **Default**"), as defined in the Loan Agreement and/or the Loan Documents, shall constitute a Default of and under this Note.

When a Default occurs, the Lender, at its option, may declare the entire unpaid balance of principal of this Note, unpaid interest thereon and all other charges, costs and expenses provided for herein, in the Loan Agreement and/or any of the Loan Documents, and/or pursuant to any other agreements between Borrower and Lender, immediately due and payable without notice to or demand upon the Borrower. Upon the occurrence of a Default, the Lender shall have all of the rights and remedies with respect to this Note and with respect to all of the Lender's collateral and security as described or in the Loan Agreement, the Loan Documents, in this Note, and/or otherwise as provided for by law, in equity, and otherwise, including the rights of a secured party under the law of Pennsylvania.

7. Security. As security for the payment of this Note and for all other indebtedness, obligations, and undertakings of the Borrower under the Loan Agreement and the Loan Documents, the Borrower acknowledges that it has granted to Lender a security interest, mortgage and/or other liens and rights in all of the collateral and security described in the Loan Agreement and/or in the Loan Documents. The Lender shall have no duty or obligation to the Borrower, or to any endorser, guarantor, surety, or other party, to perfect any lien or security interest of the Lender in the Lender's collateral and security. In addition, the Lender shall not be required to marshal any collateral or security or guaranties or to resort to the same in any particular order.

8. Debt Service Reserve. The Company will create a Debt Service Reserve (the " **DSR**") for the benefit of the holders of these Notes. The DSR will be funded with cash flow received by the Company from OTE BM Ltd. Monies deposited in the DSR can only be used for any Payment Amount. The DSR shall not exceed an amount equal to the outstanding Payment Amounts.

9. Warrants. The holder of the Note will have the option to acquire from the Company up to [number] shares of common stock of Company at a price per share and subject to the conditions described in the Warrant Document.

10. Waiver. The undersigned hereby waives presentment for payment, demand, notice of nonpayment, notice of protest, and protest of this Note, and all of the notices in connection with delivery, acceptance, performance, default, or enforcement of the payment of this Note. The failure by the Lender to exercise any right or remedy shall not be taken to waive the exercise of the same thereafter for the same or any subsequent Default. The Borrower waives any claim of set-off, recoupment and/or counterclaim. All notices to the Borrower shall be adequately given if mailed postage prepaid to the address appearing in the Lender's records. The Borrower intends this Note to be a sealed instrument and to be legally bound hereby.

11. Holder. The references to "Lender" herein shall be deemed to be references to any subsequent assignee, transferee, or other holder of this Note.

12. Governing Law. This Note shall be construed in accordance with the laws of Pennsylvania, without reference to any conflict of laws provisions, as a Note made, delivered and to be wholly performed within Pennsylvania.

BORROWER:

Ocean Thermal Energy Corporation

By: /s/ Jeremy Feakins
Name: Jeremy Feakins
Title: Chairman & CEO

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "**Agreement**") made this ____ day of _____ 2013, by Ocean Thermal Energy Corporation, a Delaware corporation with its registered offices at 800 South Queen Street, Lancaster, PA 17603 (hereinafter referred to as the "**Debtor**").

TO AND IN FAVOR OF:

_____

having an office at:

_____

(hereinafter referred-to as the " **Lender**").

WITNESSETH:

WHEREAS, on or about even date herewith, Debtor has borrowed the sum of [note amount] ($[note amount]) from the Lender (the " **Loan**"), such loan to be evidenced by, among other things, a certain promissory note dated on or about even date herewith given by the Debtor in favor of Lender (the "**Note**"), a certain loan agreement dated on or about even date herewith and executed by and between the Debtor and Lender (the "**Loan Agreement**"), and certain other documents and instruments given in connection said Loan and referred to in the Loan Agreement as the "**Loan Documents**"; and

WHEREAS, to secure the payment of all sums due or which may become due under or in connection with the Note, Loan Agreement and the other Loan Documents, (all of such obligations secured hereby, hereinafter called the "**Obligation(s)**"), Lender has required that Debtor grant Lender a security interest in all business assets of the Debtor, including those assets at or related to the Premises, and Debtor has agreed to execute this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, and in consideration of the Loan, the Obligations, and any extensions of credit made or to be made by the Lender to the Debtor, and intending to be legally bound hereby, the Debtor hereby agrees to and with Lender as follows:

1. Definitions. As used in this Agreement, the following words and terms shall have the following meanings respectively, unless the context hereof clearly requires otherwise:

   a. "Accounts" shall have the meaning given to that term in the Code and shall include without limitation all rights of the Debtor, whenever acquired, to payment for goods sold or leased or for services rendered in connection with the Premises, whether or not earned by performance, and other obligations or indebtedness owed to the Debtor from whatever source arising; all rights of the Debtor to receive any payments in money or kind; all guarantees of the foregoing and security therefor; all of the right, title and interest of the Debtor in and with respect to the goods, services or other property that gave rise to or that secure any of the foregoing, and insurance policies and proceeds relating thereto, and all rights of the Debtor as an unpaid seller of goods and services, including, but not limited to, the rights of stoppage in transit, replevin, reclamation and resale; payment obligations arising out of the sale, lease or license of tangible or intangible property; credit card receivables; health care receivables; and all of the foregoing, whether now owned or existing or hereafter create or acquired.

   b. "Agreement" shall mean this Security Agreement as the same may be supplemented or amended from time to time.

   c. "Debtor's Address" shall mean the address set forth in the first part of this Agreement.

d. “Chattel Paper” shall have the meaning given to that term in the Code and shall include without limitation all tangible and electronic chattel paper owned by the Debtor in connection with the Premises, whenever acquired, which evidence both a monetary obligation and a security interest in or a lease of specific goods.

e. “Code” shall mean the applicable law now or hereafter in force in The Bahamas.

f. “Collateral” shall mean any of the collateral described in Section 2 of this Agreement.

g. “Commercial Tort Claims” shall mean those commercial tort claims more specifically described on Exhibit A attached hereto and made a part hereof.

h. “Costs and Expenses” shall mean any and all sums, fees, costs, expenses and charges which the Lender may pay or incur (i) pursuant to any provision of this Agreement, or (ii) in connection with the preparation, execution, effectuation and administration of this Agreement or any other agreement or instrument executed in connection herewith, or (iii) in defending, protecting, preserving or enforcing its security interest or the Collateral or any other agreement or instrument executed in connection herewith, or (iv) otherwise in connection the provisions of this Agreement. “Costs and Expenses” shall include, but is not limited to, all search, filing and recording fees; taxes; attorneys’ fees and legal expenses; all fees and expenses for the service and filing of papers; premiums on insurance, bonds, and undertakings; fees of marshals, sheriffs, custodians, auctioneers, warehousemen, and others; travel expenses; all court costs and collection charges and all expenses of retaking, holding, assembling, cleaning and/or preparing any Collateral for sale or lease, selling, leasing and the like.

i. “Deposit Accounts” shall have the meaning given to that term in the Code.

j. “Documents” shall have the meaning given to that term in the Code and shall include without limitation all warehouse receipts (as defined by the Code) and other documents of title (as defined by the Code) owned by the Debtor, whenever acquired.

k. “Event of Default” shall mean any of the Events of Default described in Section 4 of this Agreement.

l. “Fixtures” shall have the meaning given to that term in the Code, and shall include without limitation leasehold improvements.

m. “General Intangibles” shall have the meaning given to that term in the Code and shall include without limitation all leases under which the Debtor now or in the future leases and/or obtains a right to occupy or use real or personal property in connection with the Premises, or both, and all of the Debtor’s other contract rights, whenever acquired, and customer lists, choses in action, claims (including claims for indemnification), books, records, patents and patent applications, copyrights and copyright applications, trademarks, trade names, trade styles, trademark applications, blueprints, drawings, designs and plans, trade secrets, methods, processes, contracts, licenses, license agreements, formulae, tax and any other types of refunds, returned and unearned insurance premiums, rights and claims under insurance policies, and computer information, software, records and data, whenever acquired.

n. “Goods” shall have the meaning given to that term in the Code and shall include without limitation, any computer program imbedded in such goods.

o. “Instruments” shall have the meaning given to that term in the Code and shall include without limitation all negotiable instruments (as defined in the Code), all certificated securities (as defined in the Code) and all other writings which evidence a right to the payment of money, now or after the date of this Agreement, owned by the Debtor in connection with the Premises, whenever acquired.

p. “Inventory” shall have the meaning given to that term in the Code and shall include without limitation all goods owned by the Debtor in connection with the Premises, whenever acquired and wherever located, held for sale or lease or furnished or to be furnished under contracts of service, and all raw materials, work in process and materials owned by the Debtor and used or consumed in the Debtor’s business, whenever acquired and wherever located, and all products thereof, and all substitutions, replacements, additions, or accessions therefor and thereto.

q. “Investment Property” shall have the meaning given to that term in the Code.

r. “Letter of Credit Rights” shall have the meaning given to that term in the Code.

s. “Premises” shall mean 800 South Queen Street, Lancaster, PA 17603.

t. “Proceeds” shall have the meaning given to that term in the Code and shall include without limitation whatever is received when Collateral or Proceeds is sold, exchanged, collected or otherwise disposed of, whether cash or non-cash, and includes without limitation proceeds of insurance payable by reason of loss of, or damage to, Collateral.

u. “Supporting obligations” shall have the meaning set forth in the Code.

v. “Senior Baha Mar Project Lender” shall mean any debt financier providing capital for that certain Seawater District Cooling project for the Baha Mar resort complex in The Bahamas.

To the extent not defined in this Section 1, unless the context requires otherwise, all other terms contained in this Agreement shall have the meanings attributed to them by the Code, to the extent the same are used or defined therein.

2. Grant of Security Interest. As security for payment to Lender of all the Obligations, and as security for performance of the agreements, conditions, covenants, provisions and stipulations contained herein, and in any renewal, extension, or modification hereof and in all other agreements and instruments made and given by Debtor to Lender in connection with any of the Obligations, the Debtor agrees that the Lender shall have, and the Debtor grants to and creates in favor of the Lender, a security interest under the Code in and to such of the Collateral as is now or in the future owned or acquired by the Debtor. Upon Borrower’s full satisfaction of the Obligations under the Loan Agreement and the Loan Documents, this security interest shall terminate.

“Collateral” shall mean collectively the Accounts, Chattel Paper, Commercial Tort Claims, Documents, Deposit Accounts, Goods, Equipment, Fixtures, General Intangibles, Instruments, Investment Property, Inventory, Letter of Credit Rights, Supporting Obligations and the Proceeds of each of them.

3. Representations, Warranties and Covenants. The Debtor represents and warrants to and covenants with the Lender, and such representations, warranties and covenants shall be continuing so long as any of the Obligations remain outstanding, as follows:

a. The Debtor utilizes no trade names in the conduct of its business, except the names set forth above in the first part of this Agreement, nor has Debtor been the surviving entity in a merger, or acquired any business.

b. The security interest in the Collateral granted to the Lender in this Agreement is and shall be a perfected first priority security interest in the Collateral and prior and superior to the rights of all third parties in the Collateral existing on the date of this Agreement or arising after the date of this Agreement, except for those interests which Debtor grants to other lenders under the same Series B Note issuance as this Loan and except for those interests which Debtor grants to the Senior Baha Mar Project Lender (the "**Permitted Security Interests**").

c. The Debtor is the owner of the Collateral free and clear of all security interests, mortgages, liens or encumbrances, except for liens that arise by operation of law with respect to obligations of the Debtor that are not yet due and payable; and the Debtor will defend the Collateral against all claims and demands of all persons at any time claiming an interest therein.

d. Except with respect to financing undertaken as part of the project financing for the Seawater District Cooling project with Baha Mar, Ltd., the Debtor shall not mortgage, pledge, grant or permit to exist any new security interest in, or lien or encumbrance upon, any of the Collateral except for the security interests to which the Lender may give its prior consent.

e. The Debtor shall maintain casualty insurance coverage on the Collateral in such amounts and of such types as may be required by Lender, and, in any event, as are ordinarily carried by similar businesses.

f. The Debtor shall permit the Lender, through its authorized employees, agents and representatives, to inspect and examine the annual financial statements of the Debtor upon reasonable notice.

g. The Debtor shall pay or deposit promptly when due all sales, use, excise, personal property, income withholding corporate, franchise, and other taxes, assessments and governmental charges upon or relating to its ownership or use of any of the Collateral.

h. The Debtor authorizes the Lender to file financing statements describing the Collateral in such public offices as Lender may require, without Debtor's signature. Said financing statements may describe the personal property set forth herein (i) by specific or general description, (ii) by collateral classification or category, (iii) by general reference to all of Debtor's assets, or (iv) by such other manner as Lender may elect. If the law of the jurisdiction in which such instruments are filed requires Debtor's signature, Debtor agrees to sign such financing statements, continuation statements, or other security agreements Lender may require. In addition, the Debtor shall, at any time and from time to time upon request of the Lender, execute and deliver to the Lender, in form and substance satisfactory to the Lender, such documents as Lender shall deem necessary or desirable to perfect or maintain perfected the security interest of the Lender in the Collateral or which may be necessary to comply with the law of the Commonwealth of The Bahamas, or the law of any other jurisdiction in which Debtor was formed or in which the Debtor may then be conducting business, or in which Debtor's principal residence or chief executive office is located, or in which any of the Collateral may be located. Debtor hereby ratifies all financing statements filed by Lender prior to Debtor's execution hereof.

i. The Debtor shall pay any and all Costs and Expenses within thirty (30) days after written notice from Lender and submit to the Lender proof satisfactory to the Lender that such payment(s) have been made, or reimburse the Lender therefor.

j. The Debtor, without first obtaining the prior written consent and approval of the Lender, will not sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions), any of its assets (whether now owned or hereafter acquired) except in the ordinary course of business.

k. If and to the extent that Equipment is part of the Collateral:

i. All Equipment now owned is and all Equipment acquired in the future will be, in the possession of the Debtor at the Debtor's Address. If such locations(s) is/are not owned by the Debtor, of if any of the Equipment is or shall be affixed to any real estate, including any buildings owned or leased by the Debtor in the operation of its business, the Debtor shall provide the Lender with waivers necessary to make the security interest in the Equipment valid against the Debtor and other persons holding an interest in such real estate. The Debtor shall notify the Lender at least thirty (30) days prior to any change of any location where any of the Equipment is or may be kept.

ii. The Debtor shall keep and maintain all Equipment in good operating condition and repair and make all necessary repairs thereto and replace parts thereof so that the value and operating efficiency thereof shall at all times be maintained and preserved; and the Debtor shall keep complete and accurate books and records with respect to all Equipment, including maintenance records.

iii. The Debtor shall retain and keep secure any and all evidence of ownership and certificates of origin and/or title to any and all of the Equipment.

iv. The Debtor shall not, without the prior written consent of the Lender, sell, offer to sell, lease, offer to lease, or in any other manner dispose of any of the Equipment, except in the ordinary course of business, or as part of a purchase of the completed Seawater District Cooling project by Baha Mar, Ltd.

l. If and to the extent that Accounts are a part of the Collateral:

i. The Debtor has no other places of business except at Debtor's Address. All records pertaining to the Accounts (including, but not limited to, computer records) and all returns of Inventory are kept at Debtor's Address; and the Debtor will notify the Lender at least thirty (30) days prior to any change in the address where records pertaining to Accounts or Inventory are kept.

ii. All books, records and documents relating to any of the Accounts (including, but not limited to, computer records) are and will be genuine and in all respects what they purport to be; and the amount of each Accounts shown on the books and records of the Debtor and will be the correct amount actually owing for, or to be owing at maturity of, each of the Accounts.

iii. Until the Lender directs otherwise, the Debtor shall collect the Accounts, subject to the directions and control of the Lender at all times. Any proceeds of Accounts collected by the Debtor after an Event of Default shall not be co-mingled with other funds of the Debtor and shall at the Lender's request be immediately delivered to the Lender in the form received except for necessary endorsements to permit collection. The Lender in its sole discretion may allow the Debtor to use such proceeds to such extent and for such periods, if any, as the Lender elects.

iv. The Debtor shall, at the Lender's request, furnish to the Lender within thirty (30) days after the end of each calendar month an aged analysis of all outstanding Accounts, in form and substance satisfactory to the Lender.

v. The Debtor shall provide the Lender, at the Lender's request, with copies of all invoices relating to the Accounts, evidence of shipment or delivery of Inventory, and such further information as the Lender may require, all in form satisfactory to the Lender.

m. The Debtor will not change its fiscal years or accounting and/or depreciation methods.

n. The Debtor will not change its state of incorporation, formation or, organization.

o. Debtor will not change its state organizational identification number or taxpayer identification number.

4. Events of Default . As used in this Agreement, the term "Event of Default" shall mean any one or more of the following at the option of Lender:

a. The occurrence of one or more of the events defined in the Loan Agreement or in any other document evidencing or securing any of the Obligations as an Event of Default;

b. The failure of the Debtor to comply fully with all of the terms, conditions, representations, or covenants of this Agreement, including the covenants set forth in Paragraph 3 hereof, and such default shall have continued for a period of thirty (30) days after notice specifying such default and demanding that the same be cured shall have been given to Debtor, or if the default cannot reasonably be remedied within such period, if Debtor fails to commence to remedy the same within thirty (30) days and diligently thereafter to carry the same to completion;

c. Any loss, theft, damage, or destruction of any material portion of the Collateral for which there is either no insurance coverage, or for which in the opinion of the Lender there is insufficient insurance coverage;

d. The creation of any new security interest, mortgage, lien or encumbrance in favor of any person other than the Lender against the real or personal property of the Debtor (including, but not limited to, the Collateral), without the prior consent of the Lender; or

e. The sale or other disposition of all or substantially all of the property or assets of the Debtor, any subsidiary of the Debtor or any accommodation party of the Debtor, other than in the ordinary course of business.

5. Rights and Remedies. The Lender shall have, by way of example and not of limitation, the rights and remedies set forth in this Section 5 after the occurrence of any Event of Default:

a. The Lender and any officer or agent of the Lender is hereby constituted and appointed as true and lawful attorney-in-fact of the Debtor with power:

i. If and to the extent that Accounts are part of the Collateral, to notify or require the Debtor to notify any and all account debtors or parties against which the Debtor has a claim that such Accounts have been assigned to the Lender and/or that the Lender has a security interest therein and that all payments should be made to the Lender.

ii. To endorse the name of the Debtor upon any instruments or payments (including but not limited to, payments made under any policy of insurance) that may come into the possession of the Lender in full or partial payment of any amount owing to the Lender.

iii. To sign and endorse the name of the Debtor upon any invoice, freight or express bill, bill of lading, storage or warehouse receipt, or drafts against account debtors or other obligors, and, if and to the extent that Accounts are part of the Collateral to sign and endorse the name of the Debtor on any assignments, verifications and notices in connection with such Accounts, and any instrument or document relating thereto or to the rights of the Debtor therein.

iv. To notify post office authorities to change the address for delivery of mail of the Debtor to an address designated by the Lender and to receive, open and dispose of all mail addressed to the Debtor.

v. If and to the extent that Accounts are part of the Collateral, to send requests for verification to account debtors or other obligors.

vi. To sell, assign, sue for, collect, or compromise payment of all or any part of the Collateral in the name of the Debtor or in its own name, or make any other disposition of the Collateral, or any part thereof, which disposition may be for cash, credit or any combination thereof; and the Lender may purchase all or any part of the collateral at public, or, if permitted by law, private sale, and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Obligations.

vii. The Debtor grants to the Lender, as the attorney-in-fact of the Debtor, full power of substitution and full power to do any and all things necessary to be done as fully and effectually as the Debtor might or could do but for this appointment and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Neither the Lender nor its officers and agents shall be liable for any acts or omissions or any error of judgment or mistake of fact or law in its capacity as such attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable so long as any of the sums becoming due under this Agreement, or any of the Obligations, and/or performance under all the other provisions contained herein and therein, shall remain outstanding.

b. The Lender shall have the right to enter and/or remain upon the premises of the Debtor without any obligation to pay rent to the Debtor or others, or any other place or places where any of the Collateral is located and kept, and:

i. Remove Collateral therefrom to the premises of the Lender or any of its agents, for such time as the Lender may desire, in order to maintain, sell, collect and/or liquidate the Collateral; or

ii. Use such premises, together with materials, supplies, books and records of the Debtor, to maintain possession and/or the condition of the Collateral, and to prepare the Collateral for selling, liquidation or collecting.

c. The Lender may require the Debtor to assemble the Collateral at the Mortgaged Premises (as such term is defined in the Loan Agreement).

d. Any notice required to be given by the Lender of a sale or other disposition by the Lender of any of the Collateral, made in accordance with this Agreement, which is mailed or delivered at least fifteen (15) days prior to such proposed action, shall constitute fair and reasonable notice to the Debtor of any such action. In the event that any of the Collateral is used in conjunction with any real estate, the sale of the Collateral with and as one parcel of any such real estate of the Debtor shall be deemed to be a commercially reasonable manner of sale. Lender has no obligation to clean up or otherwise prepare the Collateral for sale, and Lender may specifically disclaim warranties of title or the like. The net proceeds realized by the Lender upon any such sale or other disposition, after deduction of the Costs and Expenses, shall be applied toward satisfaction of the remaining Obligations. If the Lender sells any of the Collateral upon credit, only the payments actually made by the purchaser and received by Lender are to be applied to the Obligations. In the event the purchaser fails to pay for the Collateral, Lender may resell the collateral and Debtor shall be credited with the proceeds of the sale. The Lender shall account to the Debtor for any surplus realized upon such sales or other disposition and the Debtor shall remain liable for any deficiency. The commencement of any action, legal or equitable, shall not affect the security interest of the Lender in the Collateral until the Obligations or any judgment(s) therefor are fully paid.

e. Lender may exercise an immediate right of setoff against any accounts or deposits the Debtor may have with Lender. This subsection shall not be construed as a limitation on any rights the Lender may have against Debtor, any other parties or any other accounts or deposits.

f. The Lender shall have, in addition to any other rights and remedies contained in this Agreement and any other agreements, instruments, and documents heretofore, now, or hereafter executed by the Debtor and delivered to the Lender all of the rights and remedies of a secured party under the Code, all of which rights and remedies shall be cumulative and nonexclusive, to the extent permitted by law.

6. General Provisions.

a. No delay or failure of the Lender in exercising any right, power, or privilege under this Agreement shall affect such right, power or privilege; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power of privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Lender are cumulative. Any waiver, permit, consent or approval of any kind or character on the part of the Lender of any breach or default under this Agreement or any such waiver of any provisions or condition of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

b. The Debtor hereby confirms the Lender's right of Lender's lien and setoff, and nothing in this Agreement shall be deemed a waiver or prohibition of the Lender's right thereto.

c. All notices, statements, requests and demands given to or made upon the Debtor or the Lender in accordance with the provisions of this Agreement shall be given as follows.

If to Debtor: Ocean Thermal Energy Corporation
ATTN: Jeremy P. Feakins, President
800 South Queen Street
Lancaster, Pennsylvania 17603-5818

With a copy to: Gerald Koenig, General Counsel
Ocean Thermal Energy Corporation
822 Crestwood Heights Drive, #1105
McLean, VA 22102

If to Lender at: _____
_____
_____

With a copy to: _____
_____
_____

All notices hereunder shall be in writing and shall be deemed to have been duly given for all purposes when (i) delivered in person, or (ii) when deposited in the mail as registered or certified, return receipt requested, postage prepaid, or (iii) when sent for delivery by any overnight delivery service which requires the signature of the party who accepts delivery. All notices shall be directed to the party to receive the same at its address stated above or at such other address as may be substituted by notice given as herein provided.

d. The provisions of this Agreement may from time to time be amended in writing signed by the Debtor and the Lender.

e. This Agreement shall be governed by and construed and enforced under the laws of the Commonwealth of The Bahamas.

f. If any provision of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Agreement or any other agreement between the Debtor and the Lender; but this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

g. All paragraph headings in this Agreement are included for convenience only and are not to be construed as a part hereof or in any way as limiting or amplifying the terms hereof.

h. This Agreement may be executed in as many counterparts as may be deemed necessary and convenient, and each of which when so executed shall be deemed an original but all such counterparts shall constitute but one and the same writing.

i. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the Lender and the Debtor; provided, however, that the Debtor may not assign any of their rights or delegate any of its obligations hereunder without the prior written consent of the Lender.

j. Debtor gives Lender and its affiliates a continuing lien on, and security interest in, all present and future property of Debtor held by Lender and/or its affiliates, including special and general deposits.

k. Each reference in this Agreement to the Lender shall be deemed to include its successors and assigns. Any pronouns used in this Agreement shall be construed in the masculine, feminine, neuter, singular, or plural as the context may require. The agreements and obligations on any part of the Debtor herein contained shall remain in force and applicable notwithstanding any changes in the individuals comprising the limited liability company or corporation and the terms “Debtor” shall include any altered or successive limited liability companies or corporations; provided, however, that the predecessor limited liability companies or corporations shall not thereby be released from any of their obligations and liabilities hereunder.

l. The Lender may from time to time, without notice to the Debtor, sell, assign, transfer or otherwise dispose of all or any part of its right, title and interest in the Loan, in any of the Obligations and/or the Collateral therefor. In such event, each and every immediate and successive purchaser, assignee, transferee, or holder of any or any part of the Loan, the Obligations and/or the Collateral shall have the right to enforce this Agreement, by legal or equitable action or otherwise, for its own benefit, as fully as if such purchaser, transferee, or holder were in this Agreement by name specifically given such rights. Lender shall have an unimpaired right to enforce this Agreement, for its own benefit, for the portion of the Loan and/or Obligations and/or the Collateral which the Lender has not sold, assigned, transferred or otherwise disposed of.

IN WITNESS WHEREOF, the Debtor has caused this Agreement to be executed as of the date first above written.

DEBTOR:

Ocean Thermal Energy Corporation

By: /s/ Jeremy Feakins
Name: Jeremy Feakins
Title: Chairman & CEO

WARRANT

To Purchase up to [number] Shares of the
Common Stock, $0.001 - Par Value Per Share,
of
Ocean Thermal Energy Corporation

This is to certify that, for value received, [lender name] (" **Lender**") or any permitted transferee (Lender or such transferee being hereinafter called the " **Holder**") is entitled to purchase subject to the provisions of this Warrant, from Ocean Thermal Energy Corporation, a Delaware corporation ("**OTE**"). at any time on or after the date hereof, an aggregate of up to [number] fully paid and nonassessable shares of common stock, $0.001 par value (the "**Common Stock**"), of OTE at a price per share equal to 10% discount off the price of OTE's common stock as at the time of the IPO of OTE on the Alternative Investment Market (AIM) of the London Stock Exchange or the opening share price of the Reverse Merger on the Over the Counter (OTC) market, subject to adjustment as herein provided (the "**Exercise Price**").

1. Exercise of Warrant. Subject to the provisions hereof, this Warrant may be exercised, in whole or in part, or sold, assigned or transferred at any time or from time to time on o after the date hereof but not later than September 30. 2023. This Warrant shall be exercised by presentation and surrender hereof to OTE at the principal office of OTE, accompanied by (i) a written notice of exercise, (ii) payment to OTE, for the account of OTE, of the Exercise Price for the number of shares of Common Stock specified in such notice, and (iii) a certificate of the Holder specifying the event or events which have occurred and entitle the Holder to exercise this Warrant. The Exercise Price for the number of shares of Common Stock specified in the notice shall be payable in immediately available funds.

   Upon such presentation and surrender, OTE shall issue promptly (and within one business day if reasonably requested by the Holder) to the Holder or its assignee, transferee or designee the number of shares of Common Stock to which the Holder is entitled to hereunder. Partial exercise of this Warrant is not authorized. OTE covenants and warrants that such shares of Common Stock, when so issued, will be duly authorized, validly issued, fully paid and nonassessable, and free and clear of all liens and encumbrances.

2. Reservation of Shares; Preservation of Rights of Holder . OTE shall at all times while this Warrant is outstanding and unexercised, maintain and reserve such number of authorized but unissued shares of Common Stock as may be necessary so that this Warrant may be exercised.

3. Fractional Shares. OTE shall not be required to issue any fractional shares of Common Stock upon exercise of this Warrant. In lieu of any fractional shares, the Holder shall be entitled to receive an amount in cash equal to the amount of such fraction multiplied by the Exercise Price.

4. Exchange or Loss of Warrant . This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof at the principal office of OTE for other warrants of different denominations entitling the Holder to purchase, in the aggregate, the same number of shares of Common Stock issuable hereunder. The term "Warrant" as used herein includes any warrants for which this Warrant may be exchanged. Upon receipt by OTE of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, OTE will execute and deliver a new Warrant of like tenor and date.

5. Adjustment. The number of shares of Common Stock issuable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as provided in this Paragraph.

a. Stock Dividends, etc.

i. Stock Dividends. In case OTE shall pay or make a dividend or other distribution on any class of capital stock of OTE payable in Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction of which the denominator shall be the number of shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such distribution and the numerator shall be the sum of such number of shares and the total number of shares of Common Stock constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following such distribution.

ii. Subdivisions. In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately decreased, such increase or decrease, as the case may be, to become effective immediately after the opening of business on the day following the date upon which such subdivision or combination becomes effective.

iii. Reclassifications. The reclassification of Common Stock into securities (other than Common Stock) and/or cash and/or other consideration shall be deemed to involve a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number or amount of securities and/or cash and/or other consideration outstanding immediately thereafter and the effective date of such reclassification shall be deemed to be “the day upon which such subdivision becomes effective,” or “the day upon which such combination becomes effective,” as the case may be, within the meaning of clause (2) above.

iv. Optional Adjustments. OTE may make such increases in the number of shares of Common Stock issuable upon exercise of this Warrant, in addition to those required by this Subparagraph (A), as shall be determined by its Board of Directors to be advisable in order to avoid taxation so far as practicable of any dividend of stock or stock rights or any event treated as such for tax purposes to the recipients.

v. Adjustment to Exercise Price. Whenever the number of shares of Common Stock issuable upon exercise of this Warrant is adjusted as provided in this Subparagraph (A), the Exercise Price shall be adjusted by a fraction in which the numerator is equal to the number of shares of Common Stock issuable prior to the adjustment and the denominator is equal to the number of shares of Common Stock issuable after the adjustment, rounded to the nearest cent.

b. Definition. For purposes of this Paragraph 5, the term “Common Stock” shall include (1) any shares of OTE of any class or series which has no preference or priority in the payment of dividends or in the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of OTE and which is not subject to redemption by OTE and (2) any rights or options to subscribe for or to purchase shares of Common Stock or any stock or securities convertible into or exchangeable for shares of Common Stock (such convertible or exchangeable stock or securities being hereinafter called “Convertible Securities”), whether or not such rights or options or the right to convert or exchange any such Convertible Securities are immediately exercisable. For purposes of any adjustments made under this Paragraph 5 as a result of the distribution, sale or other issuance of rights or options or Convertible Securities, the number of shares of Common Stock outstanding after or as a result of the occurrence of events described in Paragraph 5 shall be calculated by assuming that all such rights, options or Convertible Securities have been exercised for the maximum number of shares issuable thereunder.

6. Notice. Whenever the number of shares of Common Stock for which this Warrant is exercisable is adjusted as provided in Paragraph 5, OTE shall promptly compute such adjustment and mail to the Holder a certificate, signed by the principal financial officer of OTE setting forth the number of shares of Common Stock for which this Warrant is exercisable as a result of such adjustment having become effective.

7. Rights of the Holder .

a. Without limiting the foregoing or any remedies available to the Holder, it is specifically acknowledged that the Holder would not have an adequate remedy at law for any breach of the provisions of this Warrant and shall be entitled to specific performance of OTE's obligations under, and injunctive relief against any actual or threatened violation of the obligations of any person subject to, this Warrant.

b. The Holder shall not, by virtue of its status as Holder, be entitled to any rights of a stockholder in OTE.

8. Termination. This Warrant and the rights conferred hereby shall terminate on September 30, 2023.

9. Governing Law. This Warrant shall be deemed to have been delivered in, and shall be governed by and interpreted in accordance with the substantive laws of, the Commonwealth of Pennsylvania.

Dated: [warrant date], 2013

Ocean Thermal Energy Corporation

By: /s/ Jeremy Feakins
Name: Jeremy Feakins
Title: Chairman & CEO

Series B Promissory Notes and Warrants

Name	Note Amount	# of Warrants	Exercise Price	Expiration
Joseph Layman	$ 50,000.00	10,000	20% Disc off Opening Price	9/30/2023
Soloman Edwards Group	$ 50,000.00	10,000	20% Disc off Opening Price	9/30/2023
Donald & Kathleen Lindman	$ 50,000.00	10,000	20% Disc off Opening Price	9/30/2023
Greg Crumling	$ 50,000.00	10,000	20% Disc off Opening Price	9/30/2023
Patricia Benedict	$ 50,000.00	10,000	20% Disc off Opening Price	9/30/2023
Bernieri Family Trust	$ 50,000.00	10,000	20% Disc off Opening Price	9/30/2023
Bernieri Family Trust	$ 50,000.00	10,000	20% Disc off Opening Price	9/30/2023
Pensco Trust FBO Charles Hartman IRA	$ 25,000.00	5,000	20% Disc off Opening Price	9/30/2023
Gary Gilbert	$ 50,000.00	10,000	20% Disc off Opening Price	9/30/2023
Pensco Trust FBO Paul Ogurcak	$ 25,000.00	5,000	20% Disc off Opening Price	9/30/2023
Charles Hartman	$ 50,000.00	10,000	20% Disc off Opening Price	9/30/2023
Jeff & Lori Martin	$ 25,000.00	5,000	20% Disc off Opening Price	9/30/2023
	$ 525,000.00	105,000		

Warrant Schedule

OCEAN THERMAL ENERGY CORPORATION

PROMISSORY NOTE

US$290,000.00 December 31, 2013

FOR VALUE RECEIVED, the undersigned, **OCEAN THERMAL ENERGY CORPORATION**, a Delaware corporation (the " Company"), or its successors or assigns, hereby promises to pay to the order of THEODORE HERMAN, an individual, or his assigns (collectively, the "Holder"), the principal amount of Two Hundred Ninety Thousand Dollars (US $290,000), together with any accrued and unpaid interest thereon as described herein. The Company and the Holder may hereinafter be referred to individually as a "Party" and collectively as "Parties."

1. Definitions. In addition to the terms defined elsewhere in this Promissory Note (this "Note"), the following terms have the meanings indicated:

"BBNA" means Broadband Network Affiliates, Inc., a Delaware corporation.

"Business Day" means any day other than a Saturday, Sunday or other day on which banks in New York, New York are required to be closed.

"Maturity Date" means December 31, 2015.

"Merger Agreement" means the Agreement and Plan of Merger among BBNA, the Company and Theodore Herman dated December 24, 2013, as amended.

"Reverse Merger" means a business combination transaction involving the Company and BBNA after which BBNA continues and survives but less than five percent (5%) of the combined voting power of the then-outstanding securities of BBNA immediately after such transaction are held, directly or indirectly, in the aggregate by the holders of securities entitled to vote generally in the election of directors of BBNA immediately prior to such transaction, as described in the Merger Agreement.

"Warrants" means those warrants of BBNA, the form of which is attached as Exhibit A, and that were issued to the holders referred in Schedule 2 of the Merger Agreement to purchase up to an aggregate of 10,000,000 shares of the Company's common stock with a Class A of 2,000,000 warrants at a warrant exercise price of $0.50 per share; with a Class B of 2,000,000 warrants at a warrant exercise price of $0.50 per share; with a Class C of 2,000,000 warrants at a warrant exercise price of $0.75 per share; with a Class D of 2,000,000 warrants at a warrant exercise price of $1.00 per share; with a Class E of 2,000,000 warrants at a warrant exercise price of $1.25 per share.

2. Principal Amount. The principal amount represented by this Note is Two Hundred and Ninety Thousand Dollars (US$290,000).

3 . Interest. The unpaid principal balance from time to time outstanding hereunder shall bear interest from the date of the Reverse Merger until paid in full at a fixed rate of eight percent (8%) per annum. Interest will accrue on this Note from the date of the Reverse Merger on the basis of a 360-day year consisting of twelve 30-day months.

4. Payment of Principal and Interest .

(a) Payment. Subject to reduced payment as provided for in Section 9 of this Note, the Company shall pay to the Holder the principal amount of this Note, and all accrued and unpaid interest thereon, upon the earlier to occur of (i) the Maturity Date, or (ii) as set forth in Sections 4(b)(i), (ii), (iii), (iv) or (v), considered separately. Principal and interest due hereunder shall be paid in lawful money of the United States of America in immediately available federal funds or the equivalent at the address of the Holder set forth in Section 5 below or at such other address as the Holder may designate. All payments made hereunder shall first be applied to interest then due and payable and any excess payment shall then be applied to reduce the principal amount then due and payable. Upon payment in full of all principal and interest payable hereunder, the Holder shall surrender this Note to the Company for cancellation.

(b) Amount and Timing of Payment . Subject to reduced payment as provided for in Section 9 of this Note, the Company shall pay principal under this Note on the following schedule:

(i) $50,000 triggered by receipt by the Company of cash in connection with the exercise of Class A Warrants;

(ii) $50,000 triggered by receipt by the Company of cash in connection with the exercise of Class B Warrants;

(iii) $60,000 triggered by receipt by the Company of cash in connection with the exercise of Class C Warrants;

(iv) $60,000 triggered by receipt by the Company of cash in connection with the exercise of Class D Warrants; and

(v) $70,000 triggered by receipt by the Company of cash in connection with the exercise of Class E Warrants.

5. Notices. All notices and other communications required or permitted hereunder to be given to a Party to this Note shall be in writing and shall be faxed, mailed by registered or certified mail postage prepaid, delivered by a national overnight delivery service, or otherwise delivered by hand, electronically (including by email) or by messenger, addressed to such Party's address as set forth below:

If to the Company:

Ocean Thermal Energy Corporation
Attention: Jeremy Feakins, Chief Executive Officer
800 South Queen Street
Lancaster, PA 17603
Facsimile: (717) 299-1336
Email: jeremv.feakins@otecorporation.com

With a copy (not constituting notice) to:

Procopio, Cory, Hargreaves & Savitch, LLP
Attention: John P. Cleary, Esq.
12544 High Bluff Drive, Suite 300
San Diego, CA 92130
Email: john.cleary@procopio.com

If to the Holder: Theodore Herman
9909 Topanga Canyon Boulevard, Suite 122
Chatsworth, CA 91311

or such other address with respect to a Party as such Party shall notify each other Party in writing as above provided. Any notice sent in accordance with this Section 5 shall be effective upon the earlier of: (i) if mailed, seven (7) Business Days after mailing; (ii) if sent by messenger, upon delivery; (iii) if sent by a nationally recognized overnight delivery service, one Business Day after having been dispatched; (iv) if sent electronically (including by email), upon transmission and electronic confirmation of transmission or (if transmitted and received on a non-Business Day) on the first Business Day following transmission and electronic confirmation of transmission; and, (v) upon the actual receipt thereof.

6. Default and Remedies.

(a) An "Event of Default" under this Note shall mean the occurrence of any of the following events:

(i) If the Company shall fail to make any payment when required by this Note; or

(ii) The commencement by the Company of any bankruptcy, insolvency, receivership or similar proceedings under any federal or applicable state law; or the commencement against the Company of any bankruptcy, insolvency, receivership or similar proceeding under any federal or applicable state law by creditors of the Company or other similar law of any jurisdiction, provided, that such proceeding shall not be deemed an Event of Default if such proceeding is dismissed within ninety (90) days of commencement.

(b) Upon and during the continuation of an Event of Default, the Holder may declare the outstanding principal amount, and all accrued and unpaid interest on such principal amount, immediately due and payable, and such amount shall be collectible immediately or at any time after such Event of Default. The rights and remedies provided by this Note shall be cumulative, and shall be in addition to, and not exclusive of, any other rights and remedies available at law or in equity.

7. Assignability. Neither Party may assign this Note without prior notice to the other Party. No such assignment shall constitute a novation or release of either Party of their obligations hereunder.

8 . Usury Laws. It is the intention of the Company and the Holder to conform strictly to all applicable usury laws now or hereafter in force, arid any interest payable under this Note shall be subject to reduction to an amount that is the maximum legal amount allowed under the applicable usury laws as now or hereafter construed by the courts having jurisdiction over such matters. The aggregate of all interest (whether designated as interest, service charges, points or otherwise) contracted for, chargeable, or receivable under this Note shall under no circumstances exceed the maximum legal rate upon the principal amount remaining unpaid from time to time. If such interest does exceed the maximum legal rate, it shall be deemed a mistake and such excess shall be canceled automatically and, if theretofore paid, rebated to the Company or credited on the principal amount, or if this Note has been repaid, then such excess shall be rebated to the Company.

9 . Offset. The Company shall be entitled to deduct from any amount of principal or interest that is or may become otherwise due under this Note any and all amounts due and owing from Theodore Herman pursuant to the Herman Obligations (as defined in the Merger Agreement).

10. Miscellaneous.

(a) Any amendment hereto or waiver of any provision hereof must be in writing and signed by both the Company and the Holder.

(b) Wherever in this Note reference is made to the Company or the Holder, such reference shall be deemed to include, as applicable, a reference to their respective successors and permitted assigns, and the provisions of this Note shall be binding upon and shall inure to the benefit of such successors and permitted assigns.

(c) This Note shall in all respects be governed by and construed in accordance with the laws of the State of Delaware without regard to conflict of laws principles of any jurisdiction to the contrary.

(d) The captions of the Sections of this Note are inserted solely for ease of reference and shall not be considered in the interpretation or construction of this Note.

(e) The Holder, by acceptance of this Note, hereby represents and warrants that (i) the Holder has been offered the opportunity to obtain information from the Company, to verify the accuracy of the information received by it and to evaluate the merits and risks of its investment in the Company, and to ask questions of and receive satisfactory answers concerning the terms and conditions of its investment in the Company, and (ii) the Holder has acquired this Note for investment only and not for resale or distribution. The Holder, by acceptance of this Note, further understands, covenants and agrees that the Company is under no obligation and has made no commitment to provide for registration of this Note.

(f) The Company waives presentment, notice and demand, notice of protest, notice of demand and dishonor, and notice of nonpayment of this Note.

(g) In the event that any provision of this Note is invalid or unenforceable under any applicable statute or rule of law, then such provision shalt be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of this Note. THE PARTIES HEREBY IRREVOCABLY WAIVE ANY RIGHT EITHER MAY HAVE, AND AGREE NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.

(h) No delay in the exercise of any right or remedy of any Party shall operate as a waiver thereof, and no single or partial exercise of any such right or remedy shall preclude other or future exercise thereof or the exercise of any other right or remedy.

(i) It is expressly understood and agreed by the Parties hereto that if it is necessary to enforce payment of this Note through the engagement or efforts of an attorney or by suit, the Company shall pay reasonable attorneys' fees, expenses of counsel, and other costs of collection incurred by the Holder.

(j) This Note may be executed in counterparts, each of which shall be deemed an original, but both of which shall constitute one and the same Note.

IN WITNESS WHEREOF, the Company has executed, acknowledged and delivered this Note as of the day and year first above written.

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins
Its: Chief Executive Officer

AGREED TO AND ACCEPTED BY:

By: /s/ Theodore Herman
Name: Theodore Herman

Exhibits

Exhibit A Form of Warrants

LOAN AGREEMENT

This Loan Agreement (the "**Loan Agreement**") is made as of April 1, 2014, by and between Jeremy P. Feakins & Associates, LLC (the " **Lender**") and Ocean Thermal Energy Corporation (the "**Borrower**").

WITNESSETH:

WHEREAS, the Borrower desires to obtain certain credit facilities, as set forth in this Loan Agreement, and the Lender is willing to provide such credit facilities on the terms and conditions set forth herein;

NOW, THEREFORE, the Lender and the Borrower, intending to be legally bound, hereby agree as follows:

1. The Credit Facilities. The Lender agrees, pursuant to the terms and conditions of this Loan Agreement and the other Loan Documents (as defined below), to make a loan to the Borrower in a principal amount of up to Two Million Two Hundred Sixty-five Thousand Dollars ($2,265,000) (the "**Loan**"). The Loan shall be evidenced by a Note (the "**Note**") and shall be made in accordance with and subject to the terms and conditions of this Loan Agreement, the Note and the other Loan Documents.

2. The Loan Documents. The following documents and materials (together with this Loan Agreement and any other accessory documents executed in connection herewith, such documents and materials, as they may be amended, restated, renewed and extended, are collectively referred to herein as the "**Loan Documents**") have been or will be executed in connection with the Loan:

a. Note;

b. Warrants, of even date herewith, granting to Lender, as additional consideration for making the Loan to the Borrower, the right to purchase up to 12,912,500 shares of Ocean Thermal Energy Corp. common stock at a price of $0.425 per share.

3. Interest Rate. The Loan shall bear interest as set forth in the Note.

4. Repayment. Repayment of the Loan shall be made as set forth in the Note, and pre-payment shall be permitted as therein specified.

5. Use of Proceeds. The proceeds of the Loan shall be used to support the development and construction costs for the Borrower's Baha Mar Resort Seawater Air-conditioning project and general overhead expenses including costs associated with the Borrower's public listing.

6. Expenses and Fees. The Borrower agrees to pay the Lender a Facility Fee of $25,000.00 payable to the Lender upon execution of this Loan Agreement.

7. Representations and Warranties. The Borrower, in order to induce the Lender to make the Loan, make the following representations, warranties and promises:

a. Good Standing. The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the state of its incorporation, with powers adequate to own its properties, and to carry on its business as presently conducted by it.

b. Authority; Binding Agreement. The execution, delivery and performance of the Loan Documents are within the corporate power of the Borrower, have been duly authorized by the Borrower and are not in contravention of law or the terms of the Borrower's Certificate of Incorporation and By-Laws. The execution, delivery and performance of the Loan Documents does not and will not contravene any documents, agreements or undertakings to which the Borrower is a party or by which it is bound. No approval of any person, corporation, governmental body or other entity is a prerequisite to the execution, delivery, validity or enforceability and performance of the Loan Documents. When executed by the Borrower, the Loan Documents to which the Borrower is a party will constitute the legally binding obligations of the Borrower, enforceable in accordance with their terms except as the enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.

c. Financial Information. Subject to any limitation stated therein or in connection therewith, all balance sheets, earning statements, accounts receivable lists and aging schedules and other financial data which have been or shall be furnished to the Lender by the Borrower to induce the Lender to enter into this Loan Agreement or otherwise in connection herewith, do or will fairly represent the financial condition of the Borrower in all material respects, are accurate, complete and correct in all material respects insofar as completeness may be necessary to give the Lender a true and accurate knowledge of the subject matter as of the date hereof. There are no material liabilities, direct or indirect, fixed or contingent, of the Borrower as of the date of such financial statements which are not reflected therein or in the notes thereto. There has been no material adverse change in the financial condition or operations of the Borrower since the date of said financial statements or since the respective dates on which either furnished the Lender with other financial data or other representations about their financial condition.

d. Solvency. Any borrowings to be made by Borrower under this Loan Agreement do not and will not render Borrower insolvent. The Borrower is contemplating neither the filing of a petition under any state or federal bankruptcy or insolvency laws, nor the liquidation of all or a major portion of its property, and the Borrower has no knowledge or any reason to know of any person contemplating the filing of any such petition against it.

8. Covenants. The Borrower agrees with the Lender that during the term of this Agreement and the other Loan Documents, and any extensions, replacements or renewals thereof (except as otherwise agreed by the Lender in writing):

a. Insurance. The Borrower shall maintain adequate fire and extended coverage insurance, with the Lender named as lender loss payee, as well as general liability, business interruption and other insurance policies as are customary. All such insurance:

i. Shall be issued in such amounts and by such companies as are satisfactory to the Lender; and

ii. Shall contain provisions providing for thirty (30) days' prior written notice to the Lender of any intended change or cancellation and providing that no such change or cancellation shall be effective as to the Lender in the absence of such notice.

b. Notice of Default; Litigation. The Borrower shall notify the Lender in writing immediately upon becoming aware of any default hereunder, or of any actions, suits, investigations, or proceedings at law, in equity or before any governmental authority that may have a material adverse effect on the Borrower, pending or threatened, against or affecting the Borrower or involving the validity or enforceability of the Loan Documents.

c. Financial Information. The Borrower shall furnish or cause to be furnished to the Lender (i) on an annual basis, federal income tax returns of the Borrower and annual financial statements of the Borrower, compiled by certified public accountants, within one hundred twenty (120) days after the end of each fiscal year; and (ii) on a fiscal quarter basis, internally-prepared interim financial statements of the Borrower in a form satisfactory to Lender within thirty (30) days of the close of each fiscal quarter.

d. Expenses. The Borrower shall pay all costs and expenses (including, but not limited to, attorneys' fees) incidental to the Loan, to the preservation the Lender's interests under the Loan Documents and to the collection of all obligations pursuant to the Loan Documents.

e. Further Assurances. The Borrower shall execute such documents as the Lender may reasonably request relating to the Loan.

9. Conditions Precedent. The obligation of the Lender to make the Loan is subject to the satisfaction by the Borrower of the following conditions precedent:

a. The Borrower's representations and warranties as contained herein shall be accurate and complete as of the date of closing;

b. The Borrower shall not be in default under any of the covenants contained herein as of the date of closing;

c. The Borrower shall have executed and delivered all of the Loan Documents to which it is a party;

d. The Borrower shall have delivered to the Lender all of the documents (fully executed) and materials and satisfied all of the requirements reasonably requested by Lender to evidence the obligations of Borrower with respect to the Loan in such form and substance as may be reasonably acceptable to the Lender.

e. The Borrower shall have paid all costs incurred in connection with the closing of the Loan, including without limitation, the attorneys' fees of the Lender's counsel (up to a maximum of $5,000) and all filing fees. To the extent that such costs are not paid at closing, the Borrower hereby authorizes the Lender to pay the same from the proceeds of the Loan; and

f. The Borrower shall provide the Lender with written confirmation that there are no known disputes or pending actions between the Borrower and the Internal Revenue Service.

g. The Borrower shall furnish the Lender with such other documents, opinions, certificates, evidence and other matters as may be reasonably requested by the Lender at or prior to closing.

10. Events of Default; Acceleration; Remedies . The occurrence of any one or more of the following events shall constitute a default (an " **Event of Default**") under this Agreement:

a. If any statement, representation or warranty made by the Borrower in the Loan Documents, in connection therewith or any financial statement, report, schedule, or certificate furnished to the Lender by the Borrower, any of its representatives, employees or accountants during the term of this Agreement shall prove to have been false or misleading when made, or subsequently becomes false or misleading, in any material respect;

b. Default by the Borrower in payment within five (5) days of the due date of any principal or interest or other amounts called for under the Loan Documents;

c. Default by the Borrower in the performance or observance of any of its obligations under the provisions, terms, conditions, warranties or covenants of the Loan Documents and such failure shall continue for a period of thirty (30) days or more following receipt of written notice thereof from the Lender.

d. The occurrence of an event of default not cured within any applicable remedy period, under any obligations of the Borrower to the Lender other than under the Loan Documents, whether created prior to, concurrent with, or subsequent to obligations arising out of the Loan Documents;

e. The occurrence of an event of default not cured within any applicable remedy period, under any other obligation of the Borrower in an aggregate amount of Ten Thousand Dollars ($10,000.00) or more, for borrowed money or under any lease;

f. The dissolution, termination of existence, merger or consolidation of the Borrower, or a sale of all or substantially all of the assets of the Borrower out of the ordinary course of business;

g. A change in the beneficial ownership of fifty percent (50%) or more (in the aggregate) of the issued and outstanding voting capital stock of the Borrower from the ownership on the date of this Loan Agreement, whether through transfer, issuance of stock or membership interests or otherwise.

h. The Borrowers shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of their or its property, (ii) admit in writing their or its inability to pay their or its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it or he in any proceeding under any such law or (vi) offer or enter into any compromise, extension or arrangement seeking relief or extension of their or its debts;

i. In the event that proceedings shall be commenced or an order, judgment or decree shall be entered against the Borrower, without the application, approval or consent of the Borrower (as the case may be) in or by any court of competent jurisdiction, relating to the bankruptcy, dissolution, liquidation, reorganization or the appointment of a receiver, trustee or liquidator of the Borrower of all or a substantial part of their or its assets, and such proceedings, order, judgment or decree shall continue undischarged or unstayed for a period of 90 days;

j. A final and unappealable judgment for the payment of money in excess of Ten Thousand Dollars ($10,000.00) shall be rendered against the Borrower and the same shall remain undischarged for a period of 60 days, during which period execution shall not be effectively stayed; or

Upon the occurrence of any Event of Default, automatically upon an Event of Default under subsection (h) or (i) of this Section or otherwise at the election of the Lender, (i) all of the obligations of the Borrower to the Lender, either under this Loan Agreement or otherwise, will immediately become due and payable without further demand, notice or protest, all of which are hereby expressly waived; (ii) the Lender may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Borrower under the Uniform Commercial Code, any other applicable law, any Loan Document, any agreement between the Borrower and the Lender; and/or (iii) the Lender's commitment to make further loans under this Agreement or any other agreement with the Borrower will immediately cease and terminate.

11. General Provisions. The Lender and the Borrower agree as follows with respect to the Loan Documents:

a. Waivers.

i. The Borrower hereby waives, to the fullest extent permitted by law, presentment, notice, protest and all other demands and notices of any description and assent (1) to any extension of the time of payment or any other indulgence, and (2) to the release of any other person primarily or secondarily liable for the obligations evidenced hereby.

ii. No delay or omission on the part of the Lender in exercising any right, privilege or remedy hereunder shall operate as a waiver of such right, privilege or remedy or of any other right, privilege or remedy under the Loan Documents. No waiver of any right, privilege or remedy or any amendment to the Loan Documents shall be effective unless made in writing and signed by the Lender. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right, privilege and/or remedy on any future occasion. No single or partial exercise of any power hereunder shall preclude other or future exercise thereof or the exercise of any other right. The acceptance by the Lender of any payment after any default under the Loan Documents shall not operate to extend the time of payment of any amount then remaining unpaid hereunder or constitute a waiver of any rights of the Lender hereof under the Loan Documents.

b. Binding Agreement. The Loan Documents shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns;

c. Entire Agreement and Amendment. The Loan Documents constitute the entire agreement between the Lender and the Borrower with respect to the Loan and shall not be changed in any respect except by written instrument signed by the parties thereto;

d. Governing Law. The Loan Documents and all rights and obligations thereunder, including matters of construction, validity, and performance, shall be governed by the laws of the Commonwealth of Pennsylvania;

e. Severability. If any term, condition, or provision of the Loan Documents or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable according to law, then the remaining terms, conditions, and provisions of the Loan Documents, or the application of any such invalid or unenforceable term, condition or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term, condition, and provision of the Loan Documents shall be valid and enforced to the fullest extent permitted by law;

f. Notice. Any demand or notice required or permitted under the Loan Documents shall be effective if either: (i) hand-delivered to the addressee, or (ii) deposited in the mail, registered or certified, return receipt requested and postage prepaid, or delivered to a private express company addressed to the addressee: (A) at the address shown below, or (B) if such party has provided the other in writing with a change of address, at the last address so provided. Any notice or demand mailed as provided in this paragraph shall be deemed given and received on the earlier of: (i) the date received; (ii) or the date of delivery, refusal or non-delivery as indicated on the return receipt, if sent by mail or private express as provided above.

Borrower:
Ocean Thermal Energy Corporation
800 South Queen Street
Lancaster, PA 17603

With a copy to:
Gerald Koenig
8220 Crestwood Heights Drive, #1105
McLean VA 22102

Lender:
Jeremy P. Feakins & Associates LLC
800 South Queen Street
Lancaster, PA 17603

With copy to:
Jeremy P. Feakins
1200 West Penn Grant Road
Lancaster, PA 17603

g. Conflict Among Loan Documents. In the event of any conflict between the terms, covenants, conditions and restrictions contained in the Loan Documents, the term, covenant and condition or restriction which grants the greater benefit upon the Lender shall control. The determination as to which term, covenant, condition or restriction is the more beneficial shall be made by the Lender in its sole discretion.

h. Costs of Collection. The Borrower agrees to pay on demand all reasonable out-of-pocket costs of collection under the Loan Documents, including reasonable attorneys' fees, whether or not any foreclosure or other action is instituted by the Lender in its discretion.

i. Set-Off, Etc. As additional collateral, the Borrower grants (1) a security interest in, or pledges, assigns and delivers, to the Lender, as appropriate, all deposits, credits and other property now or hereafter due from the Lender to the Borrower and (2) the right to set-off and apply (and a security interest in said right), from time to time hereafter and without demand or notice of any nature, all, or any portion, of such deposits, credits and other property, against the indebtedness evidenced by any of the Notes, whether the other collateral, if any, is deemed adequate or not.

j. Rights Cumulative. All rights and remedies of the Lender, whether granted herein or otherwise, shall be cumulative and may be exercised singularly or concurrently.

IN WITNESS WHEREOF, the Borrowers and the Lender have executed this Loan Agreement as of the date indicated above.

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins
Title: Group Executive Chairman

JEREMY P. FEAKINS & ASSOCIATES, LLC

By: /s/ Edward M. Baer
Name: Edward M. Baer
Title: Partner & Chief Administrative Officer

WARRANT

to Purchase up to 12,912,500 Shares of the

Common Stock, $0.0001 Par Value Per Share,

of

OCEAN THERMAL ENERGY CORPORATION

This is to certify that, for value received, Jeremy P. Feakins & Associates, LLC (" **Lender**") or any permitted transferee (Lender or such transferee being hereinafter called the "**Holder**") is entitled to purchase, subject to the provisions of this Warrant, from Ocean Thermal Energy Corporation, a Delaware corporation (" **OTEC**"), at any time on or after the dat hereof, an aggregate of up to 12,912,500 fully paid and non-assessable shares of common stock, $0.0001 par value (the "**Common Stock**"), of OTEC at a price per share equal to $0.425, subject to adjustment as herein provided (the "**Exercise Price**").

1. Exercise of Warrant. Subject to the provisions hereof, this Warrant may be exercised, in whole or in part, or sold, assigned or transferred at any time or from time to time on or after the date hereof This Warrant shall be exercised by presentation and surrender hereof to OTEC at the principal office of OTEC, accompanied by (i) a written notice of exercise, (ii) payment to OTEC, for the account of OTEC, of the Exercise Price for the number of shares of Common Stock specified in such notice, and (iii) a certificate of the Holder specifying the event or events which have occurred and entitle the Holder to exercise this Warrant. The Exercise Price for the number of shares of Common Stock specified in the notice shall be payable in immediately available funds.

Upon such presentation and surrender, OTEC shall issue promptly (and within one business day if reasonably requested by the Holder) to the Holder or its assignee, transferee or designee the number of shares of Common Stock to which the Holder is entitled hereunder. OTEC covenants and warrants that such shares of Common Stock, when so issued, will be duly authorized, validly issued, fully paid and non-assessable, and free and clear of all liens and encumbrances.

If this Warrant is exercised in part only, OTEC shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the shares of Common Stock issuable hereunder. Upon receipt by OTEC of this Warrant, in proper form for exercise, the Holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of OTEC may then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder. OTEC shall pay all expenses, and any and all United States federal, state and local taxes and other charges, that may be payable in connection with the preparation, issuance and delivery of stock certificates pursuant to this Paragraph 1 in the name of the Holder or its assignee, transferee or designee.

2. Reservation of Shares; Preservation of Rights of Holder .

OTEC shall at all times while this Warrant is outstanding and unexercised, maintain and reserve, free from preemptive rights, such number of authorized but unissued shares of Common Stock as may be necessary so that this Warrant may be exercised without any additional authorization of Common Stock after giving effect to all other options, warrants, convertible securities and other rights to acquire shares of Common Stock at the time outstanding. OTEC further agrees that (i) it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act or omission, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder, and (ii) it will promptly take all action reasonably necessary to protect the rights of the Holder against dilution as provided herein.

3. Fractional Shares. OTEC shall not be required to issue any fractional shares of Common Stock upon exercise of this Warrant. In lieu of any fractional shares, the Holder shall be entitled to receive an amount in cash equal to the amount of such fraction multiplied by the Exercise Price.

4. Exchange or Loss of Warrant . This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof at the principal office of OTEC for other warrants of different denominations entitling the Holder to purchase, in the aggregate, the same number of shares of Common Stock issuable hereunder. The term "Warrant" as used herein includes any warrants for which this Warrant may be exchanged. Upon receipt by OTEC of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, OTEC will execute and deliver a new Warrant of like tenor and date.

5. Adjustment. The number of shares of Common Stock issuable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as provided in this Paragraph.

(A) Stock Dividends, etc.

(1) Stock Dividends. In case OTEC shall pay or make a dividend or other distribution on any class of capital stock of OTEC payable in Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction of which the denominator shall be the number of shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such distribution and the numerator shall be the sum of such number of shares and the total number of shares of Common Stock constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following such distribution.

(2) Subdivisions. In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately decreased, such increase or decrease, as the case may be, to become effective immediately after the opening of business on the day following the date upon which such subdivision or combination becomes effective.

(3) Reclassifications. The reclassification of Common Stock into securities (other than Common Stock) and/or cash and/or other consideration shall be deemed to involve a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number or amount of securities and/or cash and/or other consideration outstanding immediately thereafter and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective," or "the day upon which such combination becomes effective," as the case may be, within the meaning of clause (2) above.

(4) Optional Adjustments. OTEC may make such increases in the number of shares of Common Stock issuable upon exercise of this Warrant, in addition to those required by this subparagraph (A), as shall be determined by its Board of Directors to be advisable in order to avoid taxation so far as practicable of any dividend of stock or stock rights or any event treated as such for federal income tax purposes to the recipients.

(5) Adjustment to Exercise Price. Whenever the number of shares of Common Stock issuable upon exercise of this Warrant is adjusted as provided in this Paragraph 5(A), the Exercise Price shall be adjusted by a fraction in which the numerator is equal to the number of shares of Common Stock issuable prior to the adjustment and the denominator is equal to the number of shares of Common Stock issuable after the adjustment, rounded to the nearest cent.

(B) Certain Sales of Common Stock.

(1) Adjustment to Shares Issuable. If and whenever OTEC sells or otherwise issues (other than under circumstances in which Paragraph 5(A) applies) any shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction, the denominator of which shall be the number shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such sale or issuance and the numerator of which shall be the sum of such number of shares and the total number of shares constituting such sale or other issuance, such increase to become effective immediately after the opening of business on the day following such sale or issuance.

(2) Adjustment to Exercise Price. If and whenever OTEC sells or otherwise issues any shares of Common Stock (excluding any stock dividend or other issuance not for consideration to which Paragraph 5(A) applies or shares of Common Stock issued or issuable in connection with awards granted under the OTEC Stock Option Plans) for a consideration per share which is less than the Exercise Price at the time of such sale or other issuance, then in each such case the Exercise Price shall be forthwith changed (but only if a reduction would result) to the price (calculated to the nearest cent) determined by dividing: (i) an amount equal to the sum of (aa) the number of shares of Common Stock outstanding immediately prior to such issue or sale, multiplied by the then effective Exercise Price, plus (bb) the total consideration, if any, received and deemed received by OTEC upon such issue or sale, by (ii) the total number of shares of Common Stock outstanding immediately after such issue or sale.

(C) Definition. For purposes of this Paragraph 5, the term "Common Stock" shall include (1) any shares of OTEC of any class or series which has no preference or priority in the payment of dividends or in the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of OTEC and which is not subject to redemption by OTEC, and (2) any rights or options to subscribe for or to purchase shares of Common Stock or any stock or securities convertible into or exchangeable for shares of Common Stock (such convertible or exchangeable stock or securities being hereinafter called "**Convertible Securities**"), whether or not such rights or options or the right to convert or exchange any such Convertible Securities are immediately exercisable. For purposes of any adjustments made under Paragraph 5(A) or 5(B) as a result of the distribution, sale or other issuance of rights or options or Convertible Securities, the number of shares of Common Stock outstanding after or as a result of the occurrence of events described in Paragraph 5(A)(1) or 5(B)(1) shall be calculated by assuming that all such rights, options or Convertible Securities have been exercised for the maximum number of shares issuable thereunder.

6. Notice. Whenever the number of shares of Common Stock for which this Warrant is exercisable is adjusted as provided in Paragraph 5, OTEC shall promptly compute such adjustment and mail to the Holder a certificate, signed by the principal financial officer of OTEC, setting forth the number of shares of Common Stock for which this Warrant is exercisable as a result of such adjustment having become effective.

7. Rights of the Holder.

(A) Without limiting the foregoing or any remedies available to the Holder, it is specifically acknowledged that the Holder would not have an adequate remedy at law for any breach of the provisions of this Warrant and shall be entitled to specific performance of OTEC's obligations under, and injunctive relief against any actual or threatened violation of the obligations of any person subject to, this Warrant.

(B) The Holder shall not, by virtue of its status as Holder, be entitled to any rights of a stockholder in OTEC.

8. Termination. This Warrant and the rights conferred hereby shall terminate one year from the date of OTEC's initial public offering on a public exchange.

9. Governing Law. This Warrant shall be deemed to have been delivered in, and shall be governed by and interpreted in accordance with the substantive laws of, the Commonwealth of Pennsylvania, except to the extent that Delaware law may govern certain aspects of this Warrant as it relates to OTEC.

Dated: April 1, 2014

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins
Title: Group Executive Chairman

PROMISSORY NOTE

$2,265,000 April 1, 2014

FOR VALUE RECEIVED, Ocean Thermal Energy Corporation, a Delaware corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the " **Borrower**"), hereby promises to pay to the order of Jeremy P. Feakins & Associates, LLC (the "**Lender**"), at 800 South Queen Street, Lancaster, PA 17603, or at any other place designated to the Borrower by the Lender in writing, the principal sum of Two Million Two Hundred Sixty-five Thousand Dollars ($2,265,000), with interest as herein specified, and under the terms and conditions stated herein.

1 . Repayment of Principal and Interest . Principal and interest shall be repaid by Borrower to Lender as follows: The Borrower shall repay the principal amount of $550,000.00 on October 31, 2014; $990,000.00 on November 30, 2014; $450,000.00 on December 31, 2014; and $275,000.00 on January 31, 2015 (the "**Maturity Dates**"), the Borrower shall pay to the Lender the unpaid principal balance of the Loan, all accrued and unpaid interest thereon, and all other costs and amounts payable to the Lender hereunder.

All amounts payable hereunder are payable in lawful money of the United States of America at the address of the Lender set forth above in immediately available funds. Prior to a Default, all payments shall be applied first on account of other charges, second to accrued interest due on the unpaid balance of principal and finally the remainder of such payments shall be applied to unpaid principal. If a Default occurs, payments and monies received may be applied in any manner and order deemed appropriate by the Lender.

2. Rates and Calculation of Interest . Interest on the outstanding and unpaid principal balance of the Loan shall be calculated for the actual number of days in the then current calendar year that principal is outstanding, based upon a year of three hundred sixty (360) days, accrue and shall be paid at the fixed rate of interest per annum equal to ten percent (10%).

In no event shall the rate of interest hereunder be in excess of the maximum amount permitted by law. In the event the rate of interest hereunder is determined to be in excess of the maximum amount permitted by law, such interest rate shall be automatically decreased to the maximum rate permitted by law.

In addition to all other rights contained in this Note, if a Default (defined herein) occurs and as long as a Default continues, all outstanding sums hereunder shall bear interest at the interest rate otherwise prevailing under the preceding paragraph, plus 3% (the "**Default Rate**"). The Default Rate shall also apply from acceleration until all unpaid sums and obligations (whether matured or contingent) hereunder and any judgments thereon are paid in full.

3. Prepayment. This Note may be prepaid in whole or in part at any time at the option of the Borrower without premium or penalty. Each prepayment shall be applied first to the payment in full of other charges payable hereunder, then to accrued interest and the remainder of such payment, if any, shall be applied to the reduction of the unpaid principal balance.

4 . Loan Agreement. This Note is the Note referred to in the agreements between the Borrower and the Lender, including, but not limited to the Loan Agreement of even date herewith (the "**Loan Agreement**") and the Loan Documents referenced therein (the " **Loan Documents**"). The failure of the Borrower to execute any such agreement or other document shall not affect the validity of this Note. This Note shall evidence all obligations of the Borrower to the Lender under the Loan Agreement and Loan Documents.

5 . Integration. The terms and conditions of this Note, together with the terms and conditions of the Loan Agreement and the Loan Documents, contains the entire understanding between the Borrower and the Lender with respect to the indebtedness evidenced hereby. Such understanding may not be amended, modified, or terminated except in writing duly executed by the parties hereto.

6. Security. This Note is unsecured.

7. Default and Remedies. The occurrence of any default or event of default (" **Default**"), as defined in the Loan Agreement and/or the Loan Documents, shall constitute a Default of and under this Note.

When a Default occurs, the Lender, at its option, may declare the entire unpaid balance of principal of this Note, unpaid interest thereon and all other charges, costs and expenses provided for herein, in the Loan Agreement and/or any of the Loan Documents, and/or pursuant to any other agreements between Borrower and Lender, immediately due and payable without notice to or demand upon the Borrower. Upon the occurrence of a Default, the Lender shall have all of the rights and remedies with respect the Loan Agreement, the Loan Documents, this Note, and/or otherwise provided for by law, in equity, and otherwise.

8. Waiver. The undersigned hereby waives presentment for payment, demand, notice of nonpayment, notice of protest, and protest of this Note, and all of the notices in connection with delivery, acceptance, performance, default, or enforcement of the payment of this Note. The failure by the Lender to exercise any right or remedy shall not be taken to waive the exercise of the same thereafter for the same or any subsequent Default. The Borrower waives any claim of set-off, recoupment and/or counterclaim. All notices to the Borrower shall be adequately given if mailed postage prepaid to the address appearing in the Lender's records. The Borrower intends this Note to be a sealed instrument and to be legally bound hereby.

9. Holder. The references to "Lender" herein shall be deemed to be references to any subsequent assignee, transferee, or other holder of this Note.

10. Governing Law. This Note shall be construed in accordance with the domestic internal laws of the Commonwealth of Pennsylvania, without reference to any conflict of laws provisions, as a Note made, delivered and to be wholly performed within the Commonwealth of Pennsylvania.

11. Judicial Proceedings. Any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by the Borrower or the Lender, or any of their successors or assigns, on or with respect to this Note or the dealings of the Borrower or the Lender with respect hereto, shall be tried only by a court and not by a jury. THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. In connection therewith, the Borrower agrees that any suit, action or proceeding arising hereunder or with respect hereto will be instituted in the Court of Common Pleas of York County, Pennsylvania, or the United States District Court for the Middle District of Pennsylvania, and irrevocably and unconditionally submits to the jurisdiction of each such Court for such purpose. Further, the Borrower waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. THE BORROWER ACKNOWLEDGES AND AGREES THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT THE LENDER WOULD NOT EXTEND CREDIT IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS NOTE.

12. Confession of Judgment. Upon Default, the Borrower hereby irrevocably authorizes the Prothonotary or any attorney of any court of record in Pennsylvania or elsewhere to appear for and confess judgment against the Borrower for any and all amounts unpaid hereunder, together with any other charges, costs and expenses for which Borrower is liable under this Note, and together with fees of counsel in the reasonable amount of five percent (5%) of all of the foregoing (but in no event less than $5,000.00) and costs of suit, releasing all errors and waiving all rights of appeal. If a copy of this Note, verified by affidavit, shall have been filed in such proceeding, it shall not be necessary to file the original as a warrant of attorney. The Borrower hereby waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect. No single exercise of this warrant and power to confess judgment shall be deemed to exhaust this power, whether or not any such exercise shall be held by any court to be invalid, voidable or void, but this power shall continue undiminished and may be exercised from time to time as often as the Lender shall elect until all sums due hereunder shall have been paid in full. Interest shall continue to accrue after entry of judgment hereunder, by confession, default, or otherwise, at the higher of the prevailing rate of interest under this Note, or the judgment rate of interest under applicable law. All waivers granted in this paragraph are given to the extent permitted by the Pennsylvania Rules of Civil Procedure.

13. NOTICE: THIS NOTE CONTAINS, AT PARAGRAPH 12, A WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER. IN GRANTING THIS WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER, THE BORROWER HEREBY KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY, AND ON THE ADVICE OF SEPARATE COUNSEL OF THE BORROWER, UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS THE BORROWER HAS OR MAY HAVE TO PRIOR NOTICE AND AN OPPORTUNITY FOR HEARING UNDER THE RESPECTIVE CONSTITUTIONS AND LAWS OF THE UNITED STATES, THE COMMONWEALTH OF PENNSYLVANIA, OR OF ANY OTHER STATE.

BORROWER:

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins
Title: Group Executive Chairman
Taxpayer I.D. No.: 80-0968237

DISCLOSURE FOR CONFESSION OF
JUDGMENT AND EXECUTION FOR NON-INDIVIDUALS

DATE: April 1, 2014

1. TODAY, THE UNDERSIGNED FIRM IS EXECUTING A PROMISSORY NOTE AND OTHER RELATED INSTRUMENTS FOR $2,265,000, OBLIGATING THE UNDERSIGNED FIRM TO PAY THAT AMOUNT.

2. A REPRESENTATIVE OF THE LENDER (OR OUR INDEPENDENT LEGAL COUNSEL) (THE "REPRESENTATIVE") HAS EXPLAINED TO US IN OUR CAPACITIES AS A REPRESENTATIVE OF THE UNDERSIGNED FIRM THAT THE NOTE THE UNDERSIGNED FIRM IS SIGNING CONTAINS WORDING THAT WOULD PERMIT THE LENDER TO OBTAIN A JUDGMENT AGAINST THE UNDERSIGNED FIRM AT THE COURTHOUSE. THE REPRESENTATIVE HAS ALSO EXPLAINED TO US IN OUR CAPACITIES OF PRESIDENT AND SECRETARY RESPECTIVELY OF THE UNDERSIGNED FIRM THAT THE JUDGMENT MAY BE OBTAINED AGAINST THE UNDERSIGNED FIRM WITHOUT NOTICE TO THE UNDERSIGNED FIRM AND WITHOUT OFFERING THE UNDERSIGNED FIRM AN OPPORTUNITY TO DEFEND AGAINST THE ENTRY OF THE JUDGMENT, AND THAT THE JUDGMENT MAY BE COLLECTED BY ANY LEGAL MEANS.

3. THE REPRESENTATIVE HAS ALSO EXPLAINED TO US IN OUR CAPACITIES AS A REPRESENTATIVE OF THE UNDERSIGNED FIRM THAT COLLECTION OF THE JUDGMENT MAY BE ACCOMPLISHED BY THE ISSUANCE OF A WRIT OF EXECUTION, GARNISHMENT, LEVY AND/OR OTHER EXECUTION PROCEEDINGS WHICH MAY BE COMMENCED AGAINST THE UNDERSIGNED FIRM BY THE LENDER WITHOUT PRIOR NOTICE AND HEARING AND THAT EXECUTION PROCEEDINGS MAY INVOLVE THE SEIZURE AND SALE OF THE UNDERSIGNED FIRM'S PROPERTY BY A SHERIFF, MARSHALL OR OTHER AUTHORITY.

4. IN SIGNING THE NOTE, THE UNDERSIGNED FIRM IS KNOWINGLY, UNDERSTANDINGLY AND VOLUNTARILY CONSENTING TO THE CONFESSION OF JUDGMENT AND THE UNDERSIGNED FIRM IS WAIVING THE UNDERSIGNED FIRM'S RIGHTS, TO THE EXTENT PERMITTED BY LAW, TO RESIST THE ENTRY OF JUDGMENT AGAINST THE UNDERSIGNED FIRM AT THE COURTHOUSE INCLUDING:

(a) THE RIGHT TO NOTICE AND A HEARING;
(b) THE RIGHT TO REDUCE OR SET-OFF A CLAIM BY DEDUCTING A CLAIM THE UNDERSIGNED FIRM MAY HAVE AGAINST THE LENDER (CALLED THE "RIGHT OF DEFALCATION");
(c) RELEASE OF ERROR;
(d) INQUEST (THE RIGHT TO ASCERTAIN WHETHER THE RENTS AND PROFITS OF THE UNDERSIGNED FIRM'S REAL ESTATE WILL BE SUFFICIENT TO SATISFY THE JUDGMENT WITHIN SEVEN YEARS);
(e) STAY OF EXECUTION;
(f) EXEMPTION LAWS NOW IN FORCE OR HEREAFTER TO BE PASSED;
(g) THE RIGHT TO DEFEND AGAINST THE ENTRY OF JUDGMENT AGAINST THE UNDERSIGNED FIRM.

5. IN SIGNING THE NOTE, THE UNDERSIGNED FIRM IS KNOWINGLY, UNDERSTANDINGLY AND VOLUNTARILY CONSENTING TO THE ISSUANCE AND PURSUIT AGAINST THE UNDERSIGNED FIRM OF EXECUTION, GARNISHMENT, LEVY AND/OR OTHER EXECUTION PROCEEDINGS AND WAIVING THE UNDERSIGNED FIRM'S RIGHTS, TO THE EXTENT PERMITTED BY LAW, TO NOTICE AND A HEARING PRIOR TO THE ISSUANCE AND PURSUIT OF EXECUTION, GARNISHMENT, LEVY AND/OR OTHER EXECUTION PROCEEDINGS.

6. THE UNDERSIGNED FIRM CERTIFIES THAT THE UNDERSIGNED FIRM HAS DISCUSSED THIS DISCLOSURE WITH THE UNDERSIGNED FIRM'S ATTORNEY-AT-LAW AND THE ATTORNEY-AT-LAW FULLY EXPLAINED TO THE UNDERSIGNED FIRM THE CONTENTS AND MEANING OF THIS DISCLOSURE.

THE UNDERSIGNED FIRM IS A CORPORATION WHICH IS INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND THE UNDERSIGNED INDIVIDUALS ARE THE REPRESENTATIVES OF THE UNDERSIGNED FIRM DULY AUTHORIZED TO EXECUTE THIS DISCLOSURE ON BEHALF OF THE UNDERSIGNED FIRM. WE CERTIFY THAT THE BLANKS IN THIS DISCLOSURE WERE FILLED IN WHEN WE INITIALED AND SIGNED IT, AND THAT THE UNDERSIGNED FIRM RECEIVED A COPY OF THE DISCLOSURE AT THE TIME OF SIGNING.

TERMS USED HEREIN SHALL BE CONSTRUED AS USED AND/OR DEFINED IN THE NOTE.

NAME OF FIRM: OCEAN THERMAL ENERGY CORPORATION

By:/s/ Jeremy P. Feakins
Name: Jeremy P. Feakins
Title: Group Executive Chairman

The foregoing Note and Disclosure sworn to and subscribed before me this 21st day of April, 2015.

/s/ George A. Duncan
Notary Public
My Commission Expires: July 11, 2015

Commonwealth of Pennsylvania
County of Lancaster
[Notarial Seal]

FORBEARANCE AND LOAN EXTENSION AGREEMENT

This FORBEARANCE AND LOAN EXTENSION AGREEMENT (this " **Amendment**"), is entered into this 4th day of April, 2016, by and between OCEAN THERMAL ENERGY CORPORATION ("OTE"), a Delaware corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the "**Borrower**"), and JEREMY P. FEAKINS & ASSOCIATES, LLC, a Delaware limited liability company with an address of 800 South Queen Street, Lancaster, PA 17603 (the "**Lender**"), on the following:

Premises

Borrower and Lender entered into that certain Loan Agreement as of April 1, 2014 (the " **Loan Agreement**"), providing for a loan of $2,265,000 from Lender to Borrower (the "**Loan**"). The obligation to repay the Loan is evidenced by that certain Promissory Note of even date executed and delivered by Borrower to Lender (the " **Note**"). As additional consideration for the Loan, Borrower granted to Lender a warrant to purchase 12,912,500 shares of Borrower's common stock at a price of $0.425 per share at any time on or before one year from the date of OTE's initial public offering on a public exchange (the "**Warrant**"). The Loan Agreement, the Note, and the Warrant are together referred to as the " **Loan Documents**." Pursuant to the terms of the Loan Documents, the Note was payable in full on or before January 31, 2015. The Note was not paid when due and is now in default.

Lender desires to forbear from seeking collection of the Note and exercising its remedies under the Loan Documents in order to enhance its financial recovery and obtain an extension of the Warrant.

Agreement

NOW THEREFORE, for and in consideration of the foregoing premises, which are incorporated herein by reference, the mutual promises and covenants set forth herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows.

1. Confirmation of Indebtedness. Borrower confirms the indebtedness due Lender under the Loan Documents.

2. Waiver of Default. Lender waives Borrower's default as of the date of this Amendment under the Loan Documents and agrees not to take any action or seek any remedy or relief under any of the Loan Documents arising from the non-payment by Borrower of the Note and Loan as of the date hereof.

3. Forbearance and Extension. Lender shall forbear from collecting the Loan and Note under the Loan Documents or exercising any right or remedy thereunder as of the date hereof and extends the due date for repayment of the Loan and the payment of the Note to January 31, 2017. The Lender shall mark conspicuously on the original of the Note in Lender's possession the foregoing extension or, at the request of the Borrower, execute and deliver to Borrower an amendment or allonge to be affixed to the Note further evidencing such extension.

4. Extension of Warrant. Borrower extends the expiration date of the Warrant so that it evidences the right of the Lender to purchase 12,912,500 shares of Borrower's common stock at a price of $0.425 per share at any time on or before the later of January 31, 2017 or before one year from the date of OTE's initial public offering on a public exchange. At the request of Lender, Borrower will execute and deliver to Lender a new replacement Warrant reflecting these revised terms against surrender of the original Warrant.

5. Confirmation of Loan Documents. Except as expressly modified by the terms of this Amendment, the terms, covenants, conditions, representations, and warranties, and each of them, shall remain in full force and effect.

6. Signature. This Amendment may be executed in multiple counterparts of like tenor, each of which shall be deemed an original and all of which taken together will constitute one and the same instrument. Counterpart signatures of this Amendment that are manually signed and delivered by a uniquely marked, computer-generated signature in portable document format (PDF) or other electronic method shall be deemed to constitute signed original counterparts hereof and shall bind the parties signing and delivering in such manner and shall be the same as the delivery of an original.

DATED as of the year and date first above written by the undersigned duly authorized signatories.

BORROWER:

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy Feakins
Name: Jeremy Feakins
Title: Chairman & CEO

LENDER

JEREMY P. FEAKINS & ASSOCIATES LLC

By: /s/ Edward M. Baer
Name: Edward M. Baer
Title: Partner & CFO

LOAN AGREEMENT

This Loan Agreement (the "**Loan Agreement**") is made as of December 22, 2014, by and between Mart Inn, Inc. (a New York Corporation) (the " **Lender**") and Ocean Thermal Energy Corporation (the "**Borrower**").

W I T N E S S E T H:

WHEREAS, the Borrower desires to obtain certain credit facilities, as set forth in this Loan Agreement, and the Lender is willing to provide such credit facilities on the terms and conditions set forth herein;

NOW, THEREFORE, the Lender and the Borrower, intending to be legally bound, hereby agree as follows:

1. The Credit Facilities. The Lender agrees, pursuant to the terms and conditions of this Loan Agreement and the other Loan Documents (as defined below), to make a loan to the Borrower in a principal amount of Two Hundred Thousand Dollars ($200,000.00) (the "**Loan**"). The Loan shall be evidenced by a Note (the " **Note**") and shall be made in accordance with and subject to the terms and conditions of this Loan Agreement, the Note, and the other Loan Documents.

2. The Loan Documents. The following documents and materials (together with this Loan Agreement and any other accessory documents executed in connection herewith, such documents and materials, as they may be amended, restated, renewed and extended, are collectively referred to herein as the "**Loan Documents**") have been or will be executed in connection with the Loan:

a. Note;

b. Warrants, of even date herewith, granting to Lender, as additional consideration for making the Loan to the Borrower, the right to purchase up to 200,000 shares of Ocean Thermal Energy Corp. common stock at a price of $1.00 per share.

3. Interest Rate. The Loan shall bear interest as set forth in the Note.

4. Repayment. Repayment of the Loan shall be made as set forth in the Note, and pre-payment shall be permitted as therein specified.

5. Use of Proceeds . The proceeds of the Loan shall be used to support the development and construction costs for the Borrower's Baha Mar Resort Seawater Air-conditioning project and general overhead expenses including costs associated with the Borrower's public listing.

6. Expenses and Fees . The Borrower and Lender agree that each shall bear its own expenses and fees related to this transaction.

7. Representations and Warranties. The Borrower, in order to induce the Lender to make the Loan, make the following representations, warranties, and promises:

a. Good Standing. The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the state of its incorporation, with powers adequate to own its properties, and to carry on its business as presently conducted by it.

b. Authority; Binding Agreement. The execution, delivery, and performance of the Loan Documents are within the corporate power of the Borrower, have been duly authorized by the Borrower, and are not in contravention of law or the terms of the Borrower's Certificate of Incorporation and By-Laws. The execution, delivery and performance of the Loan Documents does not and will not contravene any documents, agreements or undertakings to which the Borrower is a party or by which it is bound. No approval of any person, corporation, governmental body or other entity is a prerequisite to the execution, delivery, validity or enforceability and performance of the Loan Documents. When executed by the Borrower, the Loan Documents to which the Borrower is a party will constitute the legally binding obligations of the Borrower, enforceable in accordance with their terms except as the enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.

c. Financial Information. Subject to any limitation stated therein or in connection therewith, all balance sheets, earning statements, accounts receivable lists and aging schedules and other financial data which have been or shall be furnished to the Lender by the Borrower to induce the Lender to enter into this Loan Agreement or otherwise in connection herewith, do or will fairly represent the financial condition of the Borrower in all material respects, are accurate, complete and correct in all material respects insofar as completeness may be necessary to give the Lender a true and accurate knowledge of the subject matter as of the date hereof. There are no material liabilities, direct or indirect, fixed or contingent, of the Borrower as of the date of such financial statements which are not reflected therein or in the notes thereto. There has been no material adverse change in the financial condition or operations of the Borrower since the date of said financial statements or since the respective dates on which either furnished the Lender with other financial data or other representations about their financial condition.

d. Solvency. Any borrowings to be made by Borrower under this Loan Agreement do not and will not render Borrower insolvent. The Borrower is contemplating neither the filing of a petition under any state or federal bankruptcy or insolvency laws, nor the liquidation of all or a major portion of its property, and the Borrower has no knowledge or any reason to know of any person contemplating the filing of any such petition against it.

8. Covenants. The Borrower agrees with the Lender that during the term of this Agreement and the other Loan Documents, and any extensions, replacements or renewals thereof (except as otherwise agreed by the Lender in writing):

a. Insurance. The Borrower shall maintain adequate insurance policies as are customary.

b. Notice of Default; Litigation. The Borrower shall notify the Lender in writing immediately upon becoming aware of any default hereunder, or of any actions, suits, investigations, or proceedings at law, in equity or before any governmental authority that may have a material adverse effect on the Borrower, pending or threatened, against or affecting the Borrower or involving the validity or enforceability of the Loan Documents.

c. Financial Information. The Borrower shall furnish, upon request, to the Lender on an annual basis, federal income tax returns of the Borrower and annual financial statements of the Borrower, compiled by certified public accountants, within one hundred twenty (120) days after the end of each fiscal year; and (ii) on a fiscal quarter basis, internally-prepared interim financial statements of the Borrower in a form satisfactory to Lender within thirty (30) days of the close of each fiscal quarter.

d. Expenses. Each Party shall pay its own costs and expenses (including, but not limited to, attorneys' fees) incidental to the Loan, to the preservation the Lender's interests under the Loan Documents and to the collection of all obligations pursuant to the Loan Documents.

e. Further Assurances. Each Party shall execute such documents as the as the other Party may reasonably request relating to the Loan.

9. Conditions Precedent. The obligation of the Lender to make the Loan is subject to the reasonable satisfaction by the Lender of the following conditions precedent:

a. The Borrower's representations and warranties as contained herein shall be accurate and complete as of the date of closing;

b. The Borrower shall not be in default under any of the covenants contained herein as of the date of closing;

c. The Borrower shall have executed and delivered all of the Loan Documents to which it is a party;

d. The Borrower shall have delivered to the Lender all of the documents (fully executed) and materials and satisfied all of the requirements reasonably requested by Lender to evidence the obligations of Borrower with respect to the Loan in such form and substance as may be reasonably acceptable to the Lender; and

e. The Borrower shall provide the Lender with written confirmation that there are no known disputes or pending actions between the Borrower and the Internal Revenue Service.

10. Events of Default; Acceleration; Remedies . The occurrence of any one or more of the following events shall constitute a default (an " **Event of Default**") under this Agreement:

a. If any statement, representation or warranty made by the Borrower in the Loan Documents, in connection therewith or any financial statement, report, schedule, or certificate furnished to the Lender by the Borrower, any of its representatives, employees or accountants during the term of this Agreement shall prove to have been false or misleading when made, or subsequently becomes false or misleading, in any material respect;

b. Default by the Borrower in payment within five (5) days of the due date of any principal or interest or other amounts called for under the Loan Documents;

c. Default by the Borrower in the performance or observance of any of its obligations under the provisions, terms, conditions, warranties or covenants of the Loan Documents and such failure shall continue for a period of thirty (30) days or more following receipt of written notice thereof from the Lender.

d. The occurrence of an event of default not cured within any applicable remedy period, under any obligations of the Borrower to the Lender other than under the Loan Documents, whether created prior to, concurrent with, or subsequent to obligations arising out of the Loan Documents;

e. The Borrowers shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of their or its property, (ii) admit in writing their or its inability to pay their or its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it or he in any proceeding under any such law or (vi) offer or enter into any compromise, extension or arrangement seeking relief or extension of their or its debts;

f. In the event that proceedings shall be commenced or an order, judgment or decree shall be entered against the Borrower, without the application, approval or consent of the Borrower (as the case may be) in or by any court of competent jurisdiction, relating to the bankruptcy, dissolution, liquidation, reorganization or the appointment of a receiver, trustee or liquidator of the Borrower of all or a substantial part of their or its assets, and such proceedings, order, judgment or decree shall continue undischarged or unstayed for a period of 90 days.

Upon the occurrence of any Event of Default, (i) all of the obligations of the Borrower to the Lender under this Loan Agreement will immediately become due and payable without further demand, notice or protest, all of which are hereby expressly waived; (ii) the Lender may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Borrower under the Uniform Commercial Code, any other applicable law, any Loan Document, any agreement between the Borrower and the Lender; and/or (iii) the Lender's commitment to make further loans under this Agreement or any other agreement with the Borrower will immediately cease and terminate.

11. General Provisions. The Lender and the Borrower agree as follows with respect to the Loan Documents:

a. Waivers.

i. The Borrower hereby waives, to the fullest extent permitted by law, presentment, notice, protest and all other demands and notices of any description and assent (1) to any extension of the time of payment or any other indulgence, and (2) to the release of any other person primarily or secondarily liable for the obligations evidenced hereby.

ii. No delay or omission on the part of the Lender in exercising any right, privilege, or remedy hereunder shall operate as a waiver of such right, privilege, or remedy or of any other right, privilege, or remedy under the Loan Documents. No waiver of any right, privilege or remedy or any amendment to the Loan Documents shall be effective unless made in writing and signed by the Lender. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right, privilege and/or remedy on any future occasion. No single or partial exercise of any power hereunder shall preclude other or future exercise thereof or the exercise of any other right. The acceptance by the Lender of any payment after any default under the Loan Documents shall not operate to extend the time of payment of any amount then remaining unpaid hereunder or constitute a waiver of any rights of the Lender hereof under the Loan Documents.

b. Binding Agreement. The Loan Documents shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns;

c. Entire Agreement and Amendment. The Loan Documents constitute the entire agreement between the Lender and the Borrower with respect to the Loan and shall not be changed in any respect except by written instrument signed by the parties thereto;

d. Governing Law. The Loan Documents and all rights and obligations thereunder, including matters of construction, validity, and performance, shall be governed by the laws of the Commonwealth of Pennsylvania;

e. Severability. If any term, condition, or provision of the Loan Documents or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable according to law, then the remaining terms, conditions, and provisions of the Loan Documents, or the application of any such invalid or unenforceable term, condition or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term, condition, and provision of the Loan Documents shall be valid and enforced to the fullest extent permitted by law;

f. Notice. Any demand or notice required or permitted under the Loan Documents shall be effective if either: (i) hand-delivered to the addressee, or (ii) deposited in the mail, registered or certified, return receipt requested and postage prepaid, or delivered to a private express company addressed to the addressee: (A) at the address shown below, or (B) if such party has provided the other in writing with a change of address, at the last address so provided. Any notice or demand mailed as provided in this paragraph shall be deemed given and received on the earlier of: (i) the date received; (ii) or the date of delivery, refusal, or non-delivery as indicated on the return receipt, if sent by mail or private express as provided above.

Borrower:
Ocean Thermal Energy Corporation
800 South Queen Street
Lancaster, PA 17603

With a copy to:
Gerald Koenig
1629 K Street, NW
Suite 300
Washington, DC 20006

Lender:
Mart Inn, Inc.
c/o LaDelfa, Schoder & Walker PC
112 Main Street
PO Box 100
Mount Morris, NY 14510

g. Conflict Among Loan Documents. In the event of any conflict between the terms, covenants, conditions and restrictions contained in the Loan Documents, the term, covenant and condition or restriction which grants the greater benefit upon the Lender shall control. The determination as to which term, covenant, condition, or restriction is the more beneficial shall be made by the Lender in its sole discretion.

h. Costs of Collection. The Borrower agrees to pay on demand all reasonable out-of-pocket costs of collection under the Loan Documents, including reasonable attorneys' fees, whether or not any foreclosure or other action is instituted by the Lender in its discretion.

i. Rights Cumulative. All rights and remedies of the Lender, whether granted herein or otherwise, shall be cumulative and may be exercised singularly or concurrently.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrowers and the Lender have executed this Loan Agreement as of the date indicated above.

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins
Title: Group Executive Chairman

MART INN, INC.

By: /s/ Martin Estruch
Name: Martin Estruch
Title: President

PROMISSORY NOTE

$200,000.00 December 22, 2014

FOR VALUE RECEIVED, Ocean Thermal Energy Corporation, a Delaware corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the " **Borrower**"), hereby promises to pay to the order of Mart Inn, Inc. (the "**Lender**"), at c/o LaDelfa, Schoder & Walker PC, 112 Main Street, PO Box 100, Mount Morris, NY 14510, or at any other place designated to the Borrower by the Lender in writing, the principal sum of Two Hundred Thousand Dollars ($200,000.00), with interest as herein specified, and under the terms and conditions stated herein.

1. Repayment of Principal and Interest . Principal and interest shall be repaid by Borrower to Lender as follows: The Borrower shall repay the principal amount of $200,000.00 on the earlier of (i) March 31, 2015, or (ii) the completion by the Company of equity financing resulting in the Company's receipt of gross proceeds of at least $2,000,000, or (iii) the Financial Closing of the Baha Mar Project and release of funds by Deutsche Bank; (the "**Maturity Date**"), the Borrower shall pay to the Lender the unpaid principal balance of the Loan, all accrued and unpaid interest thereon, and all other costs and amounts payable to the Lender hereunder.

All amounts payable hereunder are payable in lawful money of the United States of America at the address of the Lender set forth above in immediately available funds. Prior to a Default, all payments shall be applied first on account of other charges, second to accrued interest due on the unpaid balance of principal and finally the remainder of such payments shall be applied to unpaid principal. If a Default occurs, payments and monies received may be applied in any manner and order deemed appropriate by the Lender.

2. Rates and Calculation of Interest . Interest on the outstanding and unpaid principal balance of the Loan shall be calculated for the actual number of days in the then current calendar year that principal is outstanding, based upon a year of three hundred sixty (360) days, accrue and shall be paid at the fixed rate of interest per annum equal to twelve percent (12%).

In no event shall the rate of interest hereunder be in excess of the maximum amount permitted by law. In the event the rate of interest hereunder is determined to be in excess of the maximum amount permitted by law, such interest rate shall be automatically decreased to the maximum rate permitted by law.

In addition to all other rights contained in this Note, if a Default (defined herein) occurs and as long as a Default continues, all outstanding sums hereunder shall bear interest at the interest rate otherwise prevailing under the preceding paragraph, plus 10% (the "**Default Rate**"). The Default Rate shall also apply from acceleration until all unpaid sums and obligations (whether matured or contingent) hereunder and any judgments thereon are paid in full.

3. Prepayment. This Note may be prepaid in whole or in part at any time at the option of the Borrower without premium or penalty. Each prepayment shall be applied first to the payment in full of other charges payable hereunder, then to accrued interest and the remainder of such payment, if any, shall be applied to the reduction of the unpaid principal balance.

4. Loan Agreement. This Note is the Note referred to in the agreements between the Borrower and the Lender, including, but not limited to the Loan Agreement of even date herewith (the "Loan Agreement") and the Loan Documents referenced therein (the "Loan Documents"). The failure of the Borrower to execute any such agreement or other document shall not affect the validity of this Note. This Note shall evidence all obligations of the Borrower to the Lender under the Loan Agreement and Loan Documents.

5. Integration. The terms and conditions of this Note, together with the terms and conditions of the Loan Agreement and the Loan Documents, contains the entire understanding between the Borrower and the Lender with respect to the indebtedness evidenced hereby. Such understanding may not be amended, modified, or terminated except in writing duly executed by the parties hereto.

6. Security. This Note is unsecured.

7. Default and Remedies. The occurrence of any default or event of default (" **Default**"), as defined in the Loan Agreement and/or the Loan Documents, shall constitute a Default of and under this Note.

When a Default occurs, the Lender, at its option, may declare the entire unpaid balance of principal of this Note, unpaid interest thereon and all other charges, costs and expenses provided for herein, in the Loan Agreement and/or any of the Loan Documents, and/or pursuant to any other agreements between Borrower and Lender, immediately due and payable without notice to or demand upon the Borrower. Upon the occurrence of a Default, the Lender shall have all of the rights and remedies with respect the Loan Agreement, the Loan Documents, this Note, and/or otherwise provided for by law, in equity, and otherwise.

8. Waiver. The undersigned hereby waives presentment for payment, demand, notice of nonpayment, notice of protest, and protest of this Note, and all of the notices in connection with delivery, acceptance, performance, default, or enforcement of the payment of this Note. The failure by the Lender to exercise any right or remedy shall not be taken to waive the exercise of the same thereafter for the same or any subsequent Default. The Borrower waives any claim of set-off, recoupment and/or counterclaim. All notices to the Borrower shall be adequately given if mailed postage prepaid to the address appearing in the Lender's records. The Borrower intends this Note to be a sealed instrument and to be legally bound hereby.

9. Holder. The references to "Lender" herein shall be deemed to be references to any subsequent assignee, transferee, or other holder of this Note.

10. Governing Law. This Note shall be construed in accordance with the domestic internal laws of the Commonwealth of Pennsylvania, without reference to any conflict of laws provisions, as a Note made, delivered and to be wholly performed within the Commonwealth of Pennsylvania.

11. Judicial Proceedings. Any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by the Borrower or the Lender, or any of their successors or assigns, on or with respect to this Note or the dealings of the Borrower or the Lender with respect hereto, shall be tried only by a court and not by a jury. THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION, OR PROCEEDING. In connection therewith, the Borrower agrees that any suit, action, or proceeding arising hereunder or with respect hereto will be instituted in the Court of Common Pleas of York County, Pennsylvania, or the United States District Court for the Middle District of Pennsylvania, and irrevocably and unconditionally submits to the jurisdiction of each such Court for such purpose. Further, the Borrower waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive, or consequential damages or any damages other than, or in addition to, actual damages. THE BORROWER ACKNOWLEDGES AND AGREES THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT THE LENDER WOULD NOT EXTEND CREDIT IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS NOTE.

12. Confession of Judgment. Upon Default, the Borrower hereby irrevocably authorizes the Prothonotary or any attorney of any court of record in Pennsylvania or elsewhere to appear for and confess judgment against the Borrower for any and all amounts unpaid hereunder, together with any other charges, costs and expenses for which Borrower is liable under this Note, and together with fees of counsel in the reasonable amount of five percent (5%) of all of the foregoing (but in no event less than $5,000.00) and costs of suit, releasing all errors and waiving all rights of appeal. If a copy of this Note, verified by affidavit, shall have been filed in such proceeding, it shall not be necessary to file the original as a warrant of attorney. The Borrower hereby waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect. No single exercise of this warrant and power to confess judgment shall be deemed to exhaust this power, whether or not any such exercise shall be held by any court to be invalid, voidable or void, but this power shall continue undiminished and may be exercised from time to time as often as the Lender shall elect until all sums due hereunder shall have been paid in full. Interest shall continue to accrue after entry of judgment hereunder, by confession, default, or otherwise, at the higher of the prevailing rate of interest under this Note, or the judgment rate of interest under applicable law. All waivers granted in this paragraph are given to the extent permitted by the Pennsylvania Rules of Civil Procedure.

13. NOTICE: THIS NOTE CONTAINS, AT PARAGRAPH 12, A WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER. IN GRANTING THIS WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER, THE BORROWER HEREBY KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY, AND ON THE ADVICE OF SEPARATE COUNSEL OF THE BORROWER, UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS THE BORROWER HAS OR MAY HAVE TO PRIOR NOTICE AND AN OPPORTUNITY FOR HEARING UNDER THE RESPECTIVE CONSTITUTIONS AND LAWS OF THE UNITED STATES, THE COMMONWEALTH OF PENNSYLVANIA, OR OF ANY OTHER STATE.

BORROWER:

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins

Title: Group Executive Chairman

WARRANT
to Purchase up to 200,000 Shares of the
Common Stock, $0.0001 Par Value Per Share,
of
OCEAN THERMAL ENERGY CORPORATION

This is to certify that, for value received, Mart Inn, Inc. (" **Lender**") or any permitted transferee (Lender or such transferee being hereinafter called the " **Holder**") is entitled to purchase, subject to the provisions of this Warrant, from Ocean Thermal Energy Corporation, a Delaware corporation ("**OTEC**"), at any time on or after the date hereof, an aggregate of up to 200,000 fully paid and non-assessable shares of common stock, $0.0001 par value (the "**Common Stock**"), of OTEC at a price per share equal to $1.00, subject to adjustment as herein provided (the "**Exercise Price**").

1. Exercise of Warrant. Subject to the provisions hereof, this Warrant may be exercised, in whole or in part, or sold, assigned or transferred at any time or from time to time up to four years hereafter. This Warrant shall be exercised by presentation and surrender hereof to OTEC at the principal office of OTEC, accompanied by (i) a written notice of exercise, (ii) payment to OTEC, for the account of OTEC, of the Exercise Price for the number of shares of Common Stock specified in such notice, and (iii) a certificate of the Holder specifying the event or events, which have occurred and entitle the Holder to exercise this Warrant. The Exercise Price for the number of shares of Common Stock specified in the notice shall be payable in immediately available funds.

Upon such presentation and surrender, OTEC shall issue promptly (and within one business day if reasonably requested by the Holder) to the Holder or its assignee, transferee or designee the number of shares of Common Stock to which the Holder is entitled hereunder. OTEC covenants and warrants that such shares of Common Stock, when so issued, will be duly authorized, validly issued, fully paid and non-assessable, and free and clear of all liens and encumbrances.

If this Warrant is exercised in part only, OTEC shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the shares of Common Stock issuable hereunder. Upon receipt by OTEC of this Warrant, in proper form for exercise, the Holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of OTEC may then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder. OTEC shall pay all expenses, and any and all United States federal, state and local taxes and other charges, that may be payable in connection with the preparation, issuance and delivery of stock certificates pursuant to this Paragraph 1 in the name of the Holder or its assignee, transferee or designee.

2. Reservation of Shares; Preservation of Rights of Holder .

OTEC shall at all times while this Warrant is outstanding and unexercised, maintain and reserve, free from preemptive rights, such number of authorized but unissued shares of Common Stock as may be necessary so that this Warrant may be exercised without any additional authorization of Common Stock after giving effect to all other options, warrants, convertible securities and other rights to acquire shares of Common Stock at the time outstanding. OTEC further agrees that (i) it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act or omission, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder, and (ii) it will promptly take all action reasonably necessary to protect the rights of the Holder against dilution as provided herein.

3. Fractional Shares. OTEC shall not be required to issue any fractional shares of Common Stock upon exercise of this Warrant. In lieu of any fractional shares, the Holder shall be entitled to receive an amount in cash equal to the amount of such fraction multiplied by the Exercise Price.

4. Exchange or Loss of Warrant . This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof at the principal office of OTEC for other warrants of different denominations entitling the Holder to purchase, in the aggregate, the same number of shares of Common Stock issuable hereunder. The term "Warrant" as used herein includes any warrants for which this Warrant may be exchanged. Upon receipt by OTEC of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, OTEC will execute and deliver a new Warrant of like tenor and date.

5. Adjustment. The number of shares of Common Stock issuable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as provided in this Paragraph.

(A) Stock Dividends, etc .

(1) Stock Dividends. In case OTEC shall pay or make a dividend or other distribution on any class of capital stock of OTEC payable in Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction of which the denominator shall be the number of shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such distribution and the numerator shall be the sum of such number of shares and the total number of shares of Common Stock constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following such distribution.

(2) Subdivisions. In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately decreased, such increase or decrease, as the case may be, to become effective immediately after the opening of business on the day following the date upon which such subdivision or combination becomes effective.

(3) Reclassifications. The reclassification of Common Stock into securities (other than Common Stock) and/or cash and/or other consideration shall be deemed to involve a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number or amount of securities and/or cash and/or other consideration outstanding immediately thereafter and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective," or "the day upon which such combination becomes effective," as the case may be, within the meaning of clause (2) above.

(4) Optional Adjustments. OTEC may make such increases in the number of shares of Common Stock issuable upon exercise of this Warrant, in addition to those required by this subparagraph (A), as shall be determined by its Board of Directors to be advisable in order to avoid taxation so far as practicable of any dividend of stock or stock rights or any event treated as such for federal income tax purposes to the recipients.

(5) Adjustment to Exercise Price. Whenever the number of shares of Common Stock issuable upon exercise of this Warrant is adjusted as provided in this Paragraph 5(A), the Exercise Price shall be adjusted by a fraction in which the numerator is equal to the number of shares of Common Stock issuable prior to the adjustment and the denominator is equal to the number of shares of Common Stock issuable after the adjustment, rounded to the nearest cent.

(B) Certain Sales of Common Stock.

(1) Adjustment to Shares Issuable. If and whenever OTEC sells or otherwise issues (other than under circumstances in which Paragraph 5(A) applies) any shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction, the denominator of which shall be the number shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such sale or issuance and the numerator of which shall be the sum of such number of shares and the total number of shares constituting such sale or other issuance, such increase to become effective immediately after the opening of business on the day following such sale or issuance.

(2) Adjustment to Exercise Price. If and whenever OTEC sells or otherwise issues any shares of Common Stock (excluding any stock dividend or other issuance not for consideration to which Paragraph 5(A) applies or shares of Common Stock issued or issuable in connection with awards granted under the OTEC Stock Option Plans) for a consideration per share which is less than the Exercise Price at the time of such sale or other issuance, then in each such case the Exercise Price shall be forthwith changed (but only if a reduction would result) to the price (calculated to the nearest cent) determined by dividing: (i) an amount equal to the sum of (aa) the number of shares of Common Stock outstanding immediately prior to such issue or sale, multiplied by the then effective Exercise Price, plus (bb) the total consideration, if any, received and deemed received by OTEC upon such issue or sale, by (ii) the total number of shares of Common Stock outstanding immediately after such issue or sale.

(C) Definition. For purposes of this Paragraph 5, the term “Common Stock” shall include (1) any shares of OTEC of any class or series which has no preference or priority in the payment of dividends or in the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of OTEC and which is not subject to redemption by OTEC, and (2) any rights or options to subscribe for or to purchase shares of Common Stock or any stock or securities convertible into or exchangeable for shares of Common Stock (such convertible or exchangeable stock or securities being hereinafter called “Convertible Securities”), whether or not such rights or options or the right to convert or exchange any such Convertible Securities are immediately exercisable. For purposes of any adjustments made under Paragraph 5(A) or 5(B) as a result of the distribution, sale or other issuance of rights or options or Convertible Securities, the number of shares of Common Stock outstanding after or as a result of the occurrence of events described in Paragraph 5(A)(1) or 5(B)(1) shall be calculated by assuming that all such rights, options or Convertible Securities have been exercised for the maximum number of shares issuable thereunder.

6. Notice. Whenever the number of shares of Common Stock for which this Warrant is exercisable is adjusted as provided in Paragraph 5, OTEC shall promptly compute such adjustment and mail to the Holder a certificate, signed by the principal financial officer of OTEC, setting forth the number of shares of Common Stock for which this Warrant is exercisable as a result of such adjustment having become effective.

7. Rights of the Holder .

(A) Without limiting the foregoing or any remedies available to the Holder, it is specifically acknowledged that the Holder would not have an adequate remedy at law for any breach of the provisions of this Warrant and shall be entitled to specific performance of OTEC's obligations under, and injunctive relief against any actual or threatened violation of the obligations of any person subject to, this Warrant.

(B) The Holder shall not, by virtue of its status as Holder, be entitled to any rights of a stockholder in OTEC.

8. Termination. This Warrant and the rights conferred hereby shall terminate four years hereafter.

9. Governing Law. This Warrant shall be deemed to have been delivered in, and shall be governed by and interpreted in accordance with the substantive laws of, the Commonwealth of Pennsylvania, except to the extent that Delaware law may govern certain aspects of this Warrant as it relates to OTEC.

Dated: December 22, 2014

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins

Title: Group Executive Chairman

LOAN AGREEMENT

This Loan Agreement (the "**Loan Agreement**") is made as of December 26, 2014, by and between James G. Garner, Jr. (the " **Lender**") and Ocean Thermal Energy Corporation (the "**Borrower**").

WITNESSETH:

WHEREAS, the Borrower desires to obtain certain credit facilities, as set forth in this Loan Agreement, and the Lender is willing to provide such credit facilities on the terms and conditions set forth herein;

NOW, THEREFORE, the Lender and the Borrower, intending to be legally bound, hereby agree as follows:

1. The Credit Facilities. The Lender agrees, pursuant to the terms and conditions of this Loan Agreement and the other Loan Documents (as defined below), to make a loan to the Borrower in a principal amount of up to One Hundred Thousand Dollars ($100,000) (the "**Loan**"). The Loan shall be evidenced by a Note (the " **Note**") and shall be made in accordance with and subject to the terms and conditions of this Loan Agreement, the Note and the other Loan Documents.

2 . The Loan Documents. The following documents and materials (together with this Loan Agreement and any other accessory documents executed in connection herewith, such documents and materials, as they may be amended, restated, renewed and extended, are collectively referred to herein as the "**Loan Documents**") have been or will be executed in connection with the Loan:

a. Note;

b. Warrants, of even date herewith, granting to Lender, as additional consideration for making the Loan to the Borrower, the right to purchase up to 100,000 shares of Ocean Thermal Energy Corp. common stock at a price of $1.00 per share.

3. Interest Rate. The Loan shall bear interest as set forth in the Note.

4. Repayment. Repayment of the Loan shall be made as set forth in the Note, and pre-payment shall be permitted as therein specified.

5 . Use of Proceeds . The proceeds of the Loan shall be used to support the development and construction costs for the Borrower's Baha Mar Resort Seawater Air-conditioning project and general overhead expenses including costs associated with the Borrower's public listing.

6. Expenses and Fees . The Borrower and Lender agree that each shall bear its own expenses and fees related to this transaction.

7. Representations and Warranties. The Borrower, in order to induce the Lender to make the Loan, make the following representations, warranties and promises:

a . Good Standing. The Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the state of its incorporation, with powers adequate to own its properties, and to carry on its business as presently conducted by it.

b . Authority; Binding Agreement. The execution, delivery and performance of the Loan Documents are within the corporate power of the Borrower, have been duly authorized by the Borrower and are not in contravention of law or the terms of the Borrower's Certificate of Incorporation and By-Laws. The execution, delivery and performance of the Loan Documents does not and will not contravene any documents, agreements or undertakings to which the Borrower is a party or by which it is bound. No approval of any person, corporation, governmental body or other entity is a prerequisite to the execution, delivery, validity or enforceability and performance of the Loan Documents. When executed by the Borrower, the Loan Documents to which the Borrower is a party will constitute the legally binding obligations of the Borrower, enforceable in accordance with their terms except as the enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.

c. Financial Information. Subject to any limitation stated therein or in connection therewith, all balance sheets, earning statements, accounts receivable lists and aging schedules and other financial data which have been or shall be furnished to the Lender by the Borrower to induce the Lender to enter into this Loan Agreement or otherwise in connection herewith, do or will fairly represent the financial condition of the Borrower in all material respects, are accurate, complete and correct in all material respects insofar as completeness may be necessary to give the Lender a true and accurate knowledge of the subject matter as of the date hereof. There are no material liabilities, direct or indirect, fixed or contingent, of the Borrower as of the date of such financial statements which are not reflected therein or in the notes thereto. There has been no material adverse change in the financial condition or operations of the Borrower since the date of said financial statements or since the respective dates on which either furnished the Lender with other financial data or other representations about their financial condition.

d . Solvency. Any borrowings to be made by Borrower under this Loan Agreement do not and will not render Borrower insolvent. The Borrower is contemplating neither the filing of a petition under any state or federal bankruptcy or insolvency laws, nor the liquidation of all or a major portion of its property, and the Borrower has no knowledge or any reason to know of any person contemplating the filing of any such petition against it.

8 . Covenants. The Borrower agrees with the Lender that during the term of this Agreement and the other Loan Documents, and any extensions, replacements or renewals thereof (except as otherwise agreed by the Lender in writing):

a. Insurance. The Borrower shall maintain adequate insurance policies as are customary.

b. Notice of Default; Litigation. The Borrower shall notify the Lender in writing immediately upon becoming aware of any default hereunder, or of any actions, suits, investigations, or proceedings at law, in equity or before any governmental authority that may have a material adverse effect on the Borrower, pending or threatened, against or affecting the Borrower or involving the validity or enforceability of the Loan Documents.

c . Financial Information. The Borrower shall furnish, upon request, to the Lender (i) on an annual basis, federal income tax returns of the Borrower and annual financial statements of the Borrower, compiled by certified public accountants, within one hundred twenty (120) days after the end of each fiscal year; and (ii) on a fiscal quarter basis, internally-prepared interim financial statements of the Borrower in a form satisfactory to Lender within thirty (30) days of the close of each fiscal quarter.

d . Expenses. Each party shall pay its own costs and expenses (including, but not limited to, attorneys' fees) incidental to the Loan, to the preservation the Lender's interests under the Loan Documents and to the collection of all obligations pursuant to the Loan Documents.

e. Further Assurances. Each party shall execute such documents as the other Party may reasonably request relating to the Loan.

9. Conditions Precedent. The obligation of the Lender to make the Loan is subject to the reasonable satisfaction by the Lender of the following conditions precedent:

a. The Borrower's representations and warranties as contained herein shall be accurate and complete as of the date of closing;

b. The Borrower shall not be in default under any of the covenants contained herein as of the date of closing;

c. The Borrower shall have executed and delivered all of the Loan Documents to which it is a party;

d. The Borrower shall have delivered to the Lender all of the documents (fully executed) and materials and satisfied all of the requirements reasonably requested by Lender to evidence the obligations of Borrower with respect to the Loan in such form and substance as may be reasonably acceptable to the Lender.

e. The Borrower shall provide the Lender with written confirmation that there are no known disputes or pending actions between the Borrower and the Internal Revenue Service.

10. Events of Default; Acceleration; Remedies . The occurrence of any one or more of the following events shall constitute a default (an " **Event of Default**") under this Agreement:

a. If any statement, representation or warranty made by the Borrower in the Loan Documents, in connection therewith or any financial statement, report, schedule, or certificate furnished to the Lender by the Borrower, any of its representatives, employees or accountants during the term of this Agreement shall prove to have been false or misleading when made, or subsequently becomes false or misleading, in any material respect;

b. Default by the Borrower in payment within five (5) days of the due date of any principal or interest or other amounts called for under the Loan Documents;

c. Default by the Borrower in the performance or observance of any of its obligations under the provisions, terms, conditions, warranties or covenants of the Loan Documents and such failure shall continue for a period of thirty (30) days or more following receipt of written notice thereof from the Lender.

d. The occurrence of an event of default not cured within any applicable remedy period, under any obligations of the Borrower to the Lender other than under the Loan Documents, whether created prior to, concurrent with, or subsequent to obligations arising out of the Loan Documents;

e. The Borrowers shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of their or its property, (ii) admit in writing their or its inability to pay their or its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it or he in any proceeding under any such law or (vi) offer or enter into any compromise, extension or arrangement seeking relief or extension of their or its debts;

f. In the event that proceedings shall be commenced or an order, judgment or decree shall be entered against the Borrower, without the application, approval or consent of the Borrower (as the case may be) in or by any court of competent jurisdiction, relating to the bankruptcy, dissolution, liquidation, reorganization or the appointment of a receiver, trustee or liquidator of the Borrower of all or a substantial part of their or its assets, and such proceedings, order, judgment or decree shall continue undischarged or unstayed for a period of 90 days.

Upon the occurrence of any Event of Default, (i) all of the obligations of the Borrower to the Lender under this Loan Agreement will immediately become due and payable without further demand, notice or protest, all of which are hereby expressly waived; (ii) the Lender may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Borrower under the Uniform Commercial Code, any other applicable law, any Loan Document, any agreement between the Borrower and the Lender; and/or (iii) the Lender's commitment to make further loans under this Agreement or any other agreement with the Borrower will immediately cease and terminate.

11. General Provisions. The Lender and the Borrower agree as follows with respect to the Loan Documents:

a. Waivers.

i. The Borrower hereby waives, to the fullest extent permitted by law, presentment, notice, protest and all other demands and notices of any description and assent (1) to any extension of the time of payment or any other indulgence, and (2) to the release of any other person primarily or secondarily liable for the obligations evidenced hereby.

ii. No delay or omission on the part of the Lender in exercising any right, privilege or remedy hereunder shall operate as a waiver of such right, privilege or remedy or of any other right, privilege or remedy under the Loan Documents. No waiver of any right, privilege or remedy or any amendment to the Loan Documents shall be effective unless made in writing and signed by the Lender. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right, privilege and/or remedy on any future occasion. No single or partial exercise of any power hereunder shall preclude other or future exercise thereof or the exercise of any other right. The acceptance by the Lender of any payment after any default under the Loan Documents shall not operate to extend the time of payment of any amount then remaining unpaid hereunder or constitute a waiver of any rights of the Lender hereof under the Loan Documents.

b . Binding Agreement. The Loan Documents shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns;

c. Entire Agreement and Amendment. The Loan Documents constitute the entire agreement between the Lender and the Borrower with respect to the Loan and shall not be changed in any respect except by written instrument signed by the parties thereto;

d. Governing Law. The Loan Documents and all rights and obligations thereunder, including matters of construction, validity, and performance, shall be governed by the laws of the Commonwealth of Pennsylvania;

e. Severability. If any term, condition, or provision of the Loan Documents or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable according to law, then the remaining terms, conditions, and provisions of the Loan Documents, or the application of any such invalid or unenforceable term, condition or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term, condition, and provision of the Loan Documents shall be valid and enforced to the fullest extent permitted by law;

f. Notice. Any demand or notice required or permitted under the Loan Documents shall be effective if either: (i) hand-delivered to the addressee, or (ii) deposited in the mail, registered or certified, return receipt requested and postage prepaid, or delivered to a private express company addressed to the addressee: (A) at the address shown below, or (B) if such party has provided the other in writing with a change of address, at the last address so provided. Any notice or demand mailed as provided in this paragraph shall be deemed given and received on the earlier of: (i) the date received; (ii) or the date of delivery, refusal or non-delivery as indicated on the return receipt, if sent by mail or private express as provided above.

Borrower: Ocean Thermal Energy Corporation 800 South Queen Street Lancaster, PA 17603	Lender: James G. Garner, Jr.
With a copy to: Gerald Koenig 8220 Crestwood Heights Drive, #1105 McLean VA 22102	With copy to:

g. Conflict Among Loan Documents. In the event of any conflict between the terms, covenants, conditions and restrictions contained in the Loan Documents, the term, covenant and condition or restriction which grants the greater benefit upon the Lender shall control. The determination as to which term, covenant, condition or restriction is the more beneficial shall be made by the Lender in its sole discretion.

h. Costs of Collection. The Borrower agrees to pay on demand all reasonable out-of-pocket costs of collection under the Loan Documents, including reasonable attorneys' fees, whether or not any foreclosure or other action is instituted by the Lender in its discretion.

i. Rights Cumulative. All rights and remedies of the Lender, whether granted herein or otherwise, shall be cumulative and may be exercised singularly or concurrently.

IN WITNESS WHEREOF, the Borrowers and the Lender have executed this Loan Agreement as of the date indicated above.

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins
Title: Group Executive Chairman

Lender

By: /s/ James G. Garner, Jr.
Name: James G. Garner, Jr.
Title:

PROMISSORY NOTE

$100,000 December 26, 2014

FOR VALUE RECEIVED, Ocean Thermal Energy Corporation, a Delaware corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the " **Borrower**"), hereby promises to pay to the order of James G. Garner, Jr. (the "**Lender**"), at _____, or at any other place designated to the Borrower by the Lender in writing, the principal sum of One Hundred Thousand Dollars ($100,000), with interest as herein specified, and under the terms and conditions stated herein.

1 . Repayment of Principal and Interest . Principal and interest shall be repaid by Borrower to Lender as follows: The Borrower shall repay the principal amount of $100,000 on earlier of (i) the first twelve-month anniversary of the date of issuance, or (ii) the completion by the Company of equity financing resulting in the Company's receipt of gross proceeds of at least $2,000,000, or (iii) the Financial Closing of the Baha Mar Project and release of funds by Deutsche Bank; (the "**Maturity Date**"), the Borrower shall pay to the Lender the unpaid principal balance of the Loan, all accrued and unpaid interest thereon, and all other costs and amounts payable to the Lender hereunder.

All amounts payable hereunder are payable in lawful money of the United States of America at the address of the Lender set forth above in immediately available funds. Prior to a Default, all payments shall be applied first on account of other charges, second to accrued interest due on the unpaid balance of principal and finally the remainder of such payments shall be applied to unpaid principal. If a Default occurs, payments and monies received may be applied in any manner and order deemed appropriate by the Lender.

2. Rates and Calculation of Interest . Interest on the outstanding and unpaid principal balance of the Loan shall be calculated for the actual number of days in the then current calendar year that principal is outstanding, based upon a year of three hundred sixty (360) days, accrue and shall be paid at the fixed rate of interest per annum equal to twelve percent (12%).

In no event shall the rate of interest hereunder be in excess of the maximum amount permitted by law. In the event the rate of interest hereunder is determined to be in excess of the maximum amount permitted by law, such interest rate shall be automatically decreased to the maximum rate permitted by law.

In addition to all other rights contained in this Note, if a Default (defined herein) occurs and as long as a Default continues, all outstanding sums hereunder shall bear interest at the interest rate otherwise prevailing under the preceding paragraph, plus 10% (the "**Default Rate**"). The Default Rate shall also apply from acceleration until all unpaid sums and obligations (whether matured or contingent) hereunder and any judgments thereon are paid in full.

3. Prepayment. This Note may be prepaid in whole or in part at any time at the option of the Borrower without premium or penalty. Each prepayment shall be applied first to the payment in full of other charges payable hereunder, then to accrued interest and the remainder of such payment, if any, shall be applied to the reduction of the unpaid principal balance.

4 . Loan Agreement. This Note is the Note referred to in the agreements between the Borrower and the Lender, including, but not limited to the Loan Agreement of even date herewith (the "**Loan Agreement**") and the Loan Documents referenced therein (the " **Loan Documents**"). The failure of the Borrower to execute any such agreement or other document shall not affect the validity of this Note. This Note shall evidence all obligations of the Borrower to the Lender under the Loan Agreement and Loan Documents.

5 . Integration. The terms and conditions of this Note, together with the terms and conditions of the Loan Agreement and the Loan Documents, contains the entire understanding between the Borrower and the Lender with respect to the indebtedness evidenced hereby. Such understanding may not be amended, modified, or terminated except in writing duly executed by the parties hereto.

6. Security. This Note is unsecured.

7. Default and Remedies. The occurrence of any default or event of default (" **Default**"), as defined in the Loan Agreement and/or the Loan Documents, shall constitute a Default of and under this Note.

When a Default occurs, the Lender, at its option, may declare the entire unpaid balance of principal of this Note, unpaid interest thereon and all other charges, costs and expenses provided for herein, in the Loan Agreement and/or any of the Loan Documents, and/or pursuant to any other agreements between Borrower and Lender, immediately due and payable without notice to or demand upon the Borrower. Upon the occurrence of a Default, the Lender shall have all of the rights and remedies with respect the Loan Agreement, the Loan Documents, this Note, and/or otherwise provided for by law, in equity, and otherwise.

8. Waiver. The undersigned hereby waives presentment for payment, demand, notice of nonpayment, notice of protest, and protest of this Note, and all of the notices in connection with delivery, acceptance, performance, default, or enforcement of the payment of this Note. The failure by the Lender to exercise any right or remedy shall not be taken to waive the exercise of the same thereafter for the same or any subsequent Default. The Borrower waives any claim of set-off, recoupment and/or counterclaim. All notices to the Borrower shall be adequately given if mailed postage prepaid to the address appearing in the Lender's records. The Borrower intends this Note to be a sealed instrument and to be legally bound hereby.

9. Holder. The references to "Lender" herein shall be deemed to be references to any subsequent assignee, transferee, or other holder of this Note.

1 0 . Governing Law. This Note shall be construed in accordance with the domestic internal laws of the Commonwealth of Pennsylvania, without reference to any conflict of laws provisions, as a Note made, delivered and to be wholly performed within the Commonwealth of Pennsylvania.

11. Judicial Proceedings. Any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by the Borrower or the Lender, or any of their successors or assigns, on or with respect to this Note or the dealings of the Borrower or the Lender with respect hereto, shall be tried only by a court and not by a jury. THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. In connection therewith, the Borrower agrees that any suit, action or proceeding arising hereunder or with respect hereto will be instituted in the Court of Common Pleas of York County, Pennsylvania, or the United States District Court for the Middle District of Pennsylvania, and irrevocably and unconditionally submits to the jurisdiction of each such Court for such purpose. Further, the Borrower waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. THE BORROWER ACKNOWLEDGES AND AGREES THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT THE LENDER WOULD NOT EXTEND CREDIT IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS NOTE.

12. Confession of Judgment. Upon Default, the Borrower hereby irrevocably authorizes the Prothonotary or any attorney of any court of record in Pennsylvania or elsewhere to appear for and confess judgment against the Borrower for any and all amounts unpaid hereunder, together with any other charges, costs and expenses for which Borrower is liable under this Note, and together with fees of counsel in the reasonable amount of five percent (5%) of all of the foregoing (but in no event less than $5,000.00) and costs of suit, releasing all errors and waiving all rights of appeal. If a copy of this Note, verified by affidavit, shall have been filed in such proceeding, it shall not be necessary to file the original as a warrant of attorney. The Borrower hereby waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect. No single exercise of this warrant and power to confess judgment shall be deemed to exhaust this power, whether or not any such exercise shall be held by any court to be invalid, voidable or void, but this power shall continue undiminished and may be exercised from time to time as often as the Lender shall elect until all sums due hereunder shall have been paid in full. Interest shall continue to accrue after entry of judgment hereunder, by confession, default, or otherwise, at the higher of the prevailing rate of interest under this Note, or the judgment rate of interest under applicable law. All waivers granted in this paragraph are given to the extent permitted by the Pennsylvania Rules of Civil Procedure.

13. NOTICE: THIS NOTE CONTAINS, AT PARAGRAPH 12, A WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER. IN GRANTING THIS WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER, THE BORROWER HEREBY KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY, AND ON THE ADVICE OF SEPARATE COUNSEL OF THE BORROWER, UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS THE BORROWER HAS OR MAY HAVE TO PRIOR NOTICE AND AN OPPORTUNITY FOR HEARING UNDER THE RESPECTIVE CONSTITUTIONS AND LAWS OF THE UNITED STATES, THE COMMONWEALTH OF PENNSYLVANIA, OR OF ANY OTHER STATE.

BORROWER:

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins
Title: Group Executive Chairman

WARRANT

to Purchase up to 100,000 Shares of the

Common Stock, $0.0001 Par Value Per Share,

of

OCEAN THERMAL ENERGY CORPORATION

This is to certify that, for value received, James G. Garner, Jr. (" **Lender**") or any permitted transferee (Lender or such transferee being hereinafter called the " **Holder**") is entitled to purchase, subject to the provisions of this Warrant, from Ocean Thermal Energy Corporation, a Delaware corporation ("**OTEC**"), at any time on or after the date hereof, an aggregate of up to 100,000 fully paid and non-assessable shares of common stock, $0.0001 par value (the "**Common Stock**"), of OTEC at a price per share equal to $1.00, subject to adjustment as herein provided (the "**Exercise Price**").

1. Exercise of Warrant. Subject to the provisions hereof, this Warrant may be exercised, in whole or in part, or sold, assigned or transferred at any time or from time to time up to four years hereafter. This Warrant shall be exercised by presentation and surrender hereof to OTEC at the principal office of OTEC, accompanied by (i) a written notice of exercise, (ii) payment to OTEC, for the account of OTEC, of the Exercise Price for the number of shares of Common Stock specified in such notice, and (iii) a certificate of the Holder specifying the event or events which have occurred and entitle the Holder to exercise this Warrant. The Exercise Price for the number of shares of Common Stock specified in the notice shall be payable in immediately available funds.

Upon such presentation and surrender, OTEC shall issue promptly (and within one business day if reasonably requested by the Holder) to the Holder or its assignee, transferee or designee the number of shares of Common Stock to which the Holder is entitled hereunder. OTEC covenants and warrants that such shares of Common Stock, when so issued, will be duly authorized, validly issued, fully paid and non-assessable, and free and clear of all liens and encumbrances.

If this Warrant is exercised in part only, OTEC shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the shares of Common Stock issuable hereunder. Upon receipt by OTEC of this Warrant, in proper form for exercise, the Holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of OTEC may then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder. OTEC shall pay all expenses, and any and all United States federal, state and local taxes and other charges, that may be payable in connection with the preparation, issuance and delivery of stock certificates pursuant to this Paragraph 1 in the name of the Holder or its assignee, transferee or designee.

2. Reservation of Shares; Preservation of Rights of Holder .

OTEC shall at all times while this Warrant is outstanding and unexercised, maintain and reserve, free from preemptive rights, such number of authorized but unissued shares of Common Stock as may be necessary so that this Warrant may be exercised without any additional authorization of Common Stock after giving effect to all other options, warrants, convertible securities and other rights to acquire shares of Common Stock at the time outstanding. OTEC further agrees that (i) it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act or omission, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder, and (ii) it will promptly take all action reasonably necessary to protect the rights of the Holder against dilution as provided herein.

3 . Fractional Shares. OTEC shall not be required to issue any fractional shares of Common Stock upon exercise of this Warrant. In lieu of any fractional shares, the Holder shall be entitled to receive an amount in cash equal to the amount of such fraction multiplied by the Exercise Price.

4. Exchange or Loss of Warrant . This Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof at the principal office of OTEC for other warrants of different denominations entitling the Holder to purchase, in the aggregate, the same number of shares of Common Stock issuable hereunder. The term "Warrant" as used herein includes any warrants for which this Warrant may be exchanged. Upon receipt by OTEC of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, OTEC will execute and deliver a new Warrant of like tenor and date.

5. Adjustment. The number of shares of Common Stock issuable upon the exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as provided in this Paragraph.

(A) Stock Dividends, etc.

(1) Stock Dividends. In case OTEC shall pay or make a dividend or other distribution on any class of capital stock of OTEC payable in Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction of which the denominator shall be the number of shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such distribution and the numerator shall be the sum of such number of shares and the total number of shares of Common Stock constituting such dividend or other distribution, such increase to become effective immediately after the opening of business on the day following such distribution.

(2) Subdivisions. In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately decreased, such increase or decrease, as the case may be, to become effective immediately after the opening of business on the day following the date upon which such subdivision or combination becomes effective.

(3) Reclassifications. The reclassification of Common Stock into securities (other than Common Stock) and/or cash and/or other consideration shall be deemed to involve a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number or amount of securities and/or cash and/or other consideration outstanding immediately thereafter and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective," or "the day upon which such combination becomes effective," as the case may be, within the meaning of clause (2) above.

(4) Optional Adjustments. OTEC may make such increases in the number of shares of Common Stock issuable upon exercise of this Warrant, in addition to those required by this subparagraph (A), as shall be determined by its Board of Directors to be advisable in order to avoid taxation so far as practicable of any dividend of stock or stock rights or any event treated as such for federal income tax purposes to the recipients.

(5) Adjustment to Exercise Price. Whenever the number of shares of Common Stock issuable upon exercise of this Warrant is adjusted as provided in this Paragraph 5(A), the Exercise Price shall be adjusted by a fraction in which the numerator is equal to the number of shares of Common Stock issuable prior to the adjustment and the denominator is equal to the number of shares of Common Stock issuable after the adjustment, rounded to the nearest cent.

(B) Certain Sales of Common Stock.

(1) Adjustment to Shares Issuable. If and whenever OTEC sells or otherwise issues (other than under circumstances in which Paragraph 5(A) applies) any shares of Common Stock, the number of shares of Common Stock issuable upon exercise of this Warrant shall be increased by multiplying such number of shares by a fraction, the denominator of which shall be the number shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such sale or issuance and the numerator of which shall be the sum of such number of shares and the total number of shares constituting such sale or other issuance, such increase to become effective immediately after the opening of business on the day following such sale or issuance.

(2) Adjustment to Exercise Price. If and whenever OTEC sells or otherwise issues any shares of Common Stock (excluding any stock dividend or other issuance not for consideration to which Paragraph 5(A) applies or shares of Common Stock issued or issuable in connection with awards granted under the OTEC Stock Option Plans) for a consideration per share which is less than the Exercise Price at the time of such sale or other issuance, then in each such case the Exercise Price shall be forthwith changed (but only if a reduction would result) to the price (calculated to the nearest cent) determined by dividing: (i) an amount equal to the sum of (aa) the number of shares of Common Stock outstanding immediately prior to such issue or sale, multiplied by the then effective Exercise Price, plus (bb) the total consideration, if any, received and deemed received by OTEC upon such issue or sale, by (ii) the total number of shares of Common Stock outstanding immediately after such issue or sale.

(C) Definition. For purposes of this Paragraph 5, the term "Common Stock" shall include (1) any shares of OTEC of any class or series which has no preference or priority in the payment of dividends or in the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of OTEC and which is not subject to redemption by OTEC, and (2) any rights or options to subscribe for or to purchase shares of Common Stock or any stock or securities convertible into or exchangeable for shares of Common Stock (such convertible or exchangeable stock or securities being hereinafter called "**Convertible Securities**"), whether or not such rights or options or the right to convert or exchange any such Convertible Securities are immediately exercisable. For purposes of any adjustments made under Paragraph 5(A) or 5(B) as a result of the distribution, sale or other issuance of rights or options or Convertible Securities, the number of shares of Common Stock outstanding after or as a result of the occurrence of events described in Paragraph 5(A)(1) or 5(B)(1) shall be calculated by assuming that all such rights, options or Convertible Securities have been exercised for the maximum number of shares issuable thereunder.

6 . Notice. Whenever the number of shares of Common Stock for which this Warrant is exercisable is adjusted as provided in Paragraph 5, OTEC shall promptly compute such adjustment and mail to the Holder a certificate, signed by the principal financial officer of OTEC, setting forth the number of shares of Common Stock for which this Warrant is exercisable as a result of such adjustment having become effective.

7. Rights of the Holder .

(A) Without limiting the foregoing or any remedies available to the Holder, it is specifically acknowledged that the Holder would not have an adequate remedy at law for any breach of the provisions of this Warrant and shall be entitled to specific performance of OTEC's obligations under, and injunctive relief against any actual or threatened violation of the obligations of any person subject to, this Warrant.

(B) The Holder shall not, by virtue of its status as Holder, be entitled to any rights of a stockholder in OTEC.

8. Termination. This Warrant and the rights conferred hereby shall terminate four years hereafter.

9. Governing Law. This Warrant shall be deemed to have been delivered in, and shall be governed by and interpreted in accordance with the substantive laws of, the Commonwealth of Pennsylvania, except to the extent that Delaware law may govern certain aspects of this Warrant as it relates to OTEC.

Dated: December 26, 2014

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy P. Feakins
Name: Jeremy P. Feakins
Title: Group Executive Chairman

PROMISSORY NOTE

$50,000.00 April 7, 2015

FOR VALUE RECEIVED, Ocean Thermal Energy Corporation, a Delaware corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the " **Borrower**"), hereby promises to pay to the order of Charles Hartman (the "**Lender**") at 834 Spruce Street, Columbia PA 17512 or at any other place designated to the Borrower by the Lender in writing, the principal sum of Fifty Thousand Dollars ($50,000.00), with interest as herein specified, and under the terms and conditions stated herein.

1. Repayment of Principal and Interest. Principal and interest shall be repaid by Borrower to Lender as follows: The Borrower shall repay the principal amount of $50,000 on April 7, 2017; (the "**Maturity Date**"), the Borrower shall pay to the Lender the unpaid principal balance of the Loan, all accrued and unpaid interest thereon, and all other costs and amounts payable to the Lender hereunder. At the lender's discretion, at anytime prior to the repayment of note, any unpaid principal and interest can be converted to common shares of the Company (Exhibit A). The determination of the necessary shares required to settle the obligation will be based on a $0.75 share price.

All amounts payable hereunder are payable in lawful money of the United States of America at the address of the Lender set forth above in immediately available funds, unless directed by the lender to satisfy the obligation in Company shares. Prior to a Default, all payments shall be applied first on account of other charges, second to accrued interest due on the unpaid balance of principal and finally the remainder of such payments shall be applied to unpaid principal. If a Default occurs, payments and monies received may be applied in any manner and order deemed appropriate by the Lender.

2. Rates and Calculation of Interest. Interest on the outstanding and unpaid principal balance of the Loan shall be calculated for the actual number of days in the then current calendar year that principal is outstanding, based upon a year of three hundred sixty (360) days, accrue and shall be paid at the fixed rate of interest per annum equal to ten percent (10%). Interest shall be paid annually in arrears.

In no event shall the rate of interest hereunder be in excess of the maximum amount permitted by law. In the event the rate of interest hereunder is determined to be in excess of the maximum amount permitted by law, such interest rate shall be automatically decreased to the maximum rate permitted by law.

In addition to all other rights contained in this Note, if a Default (defined herein) occurs and as long as a Default continues, all outstanding sums hereunder shall bear interest at the interest rate otherwise prevailing under the preceding paragraph, plus 10% (the "**Default Rate**"). The Default Rate shall also apply from acceleration until all unpaid sums and obligations (whether matured or contingent) hereunder and any judgment, thereon are paid in full.

3. Prepayment. This Note may be prepaid in whole or in part at any time at the option of the Borrower without premium or penalty. Each prepayment shall be applied first to the payment in full of other charges payable hereunder, then to accrued interest and the remainder of such payment, if any, shall be applied to the reduction of the unpaid principal balance.

4. Integration. The terms and conditions of this Note constitute the entire understanding between the Borrower and the Lender with respect to the indebtedness evidenced hereby. Such understanding may not be amended, modified, or terminated except in writing duly executed by the parties hereto.

5. Security. This Note is unsecured.

6. Waiver. The undersigned hereby waives presentment for payment, demand, notice of nonpayment, notice of protest, and protest of this Note, and all of the notices in connection with delivery, acceptance, performance, default, or enforcement of the payment of this Note. The failure by the Lender to exercise any right or remedy shall not be taken to waive the exercise of the same thereafter for the same or any subsequent Default. The Borrower waives any claim of set-off, recoupment and/or counterclaim. All notices to the Borrower shall be adequately given if mailed postage prepaid to the address appearing in the Lender's records. The Borrower intends this Note to be a sealed instrument and to be legally bound hereby.

7. Holder. The references to "Lender" herein shall be deemed to be references to any subsequent assignee, transferee, or other holder of this Note.

8. Governing Law. This Note shall be construed in accordance with the domestic internal laws of the Commonwealth of Pennsylvania, without reference to any conflict of laws provisions, as a Note made, delivered and to be wholly performed within the Commonwealth of Pennsylvania.

9. Judicial Proceedings. Any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by the Borrower or the Lender, or any of their successors or assigns, on or with respect to this Note or the dealings of the Borrower or the Lender with respect hereto, shall be tried only by a court and not by a jury. THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. In connection therewith, the Borrower agrees that any suit, action or proceeding arising hereunder or with respect hereto will be instituted in the Court of Common Pleas of York County, Pennsylvania, or the United States District Court for the Middle District of Pennsylvania, and irrevocably and unconditionally submits to the jurisdiction of each such Court for such purpose. Further, the Borrower waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. THE BORROWER ACKNOWLEDGES AND AGREES THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT THE LENDER WOULD NOT EXTEND CREDIT IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS NOTE.

10. Confession of Judgment. Upon Default, the Borrower hereby irrevocably authorizes the Prothonotary or any attorney of any court of record in Pennsylvania or elsewhere to appear for and confess judgment against the Borrower for any and all amounts unpaid hereunder, together with any other charges, costs and expenses for which Borrower is liable under this Note, and together with fees of counsel in the reasonable amount of five percent (5%) of all of the foregoing (but in no event less than $2,500.00) and costs of suit, releasing all errors and waiving all rights of appeal. If a copy of this Note, verified by affidavit, shall have been filed in such proceeding, it shall not be necessary to file the original as a warrant of attorney. The Borrower hereby waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect. No single exercise of this warrant and power to confess judgment shall be deemed to exhaust this power, whether or not any such exercise shall be held by any court to be invalid, voidable or void, but this power shall continue undiminished and may be exercised from time to time as often as the Lender shall elect until all sums due hereunder shall have been paid in full. Interest shall continue to accrue after entry of judgment hereunder, by confession, default, or otherwise, at the higher of the prevailing rate of interest under this Note, or the judgment rate of interest under applicable law. All waivers granted in this paragraph are given to the extent permitted by the Pennsylvania Rules of Civil Procedure.

11. NOTICE: THIS NOTE CONTAINS, AT PARAGRAPH 10, A WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER. IN GRANTING THIS WARRANT OF ATTORNEY TO CONFESS JUDGMENT AGAINST THE BORROWER, THE BORROWER HEREBY KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY, AND ON THE ADVICE OF SEPARATE COUNSEL OF THE BORROWER, UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS THE BORROWER HAS OR MAY HAVE TO PRIOR NOTICE AND AN OPPORTUNITY FOR HEARING UNDER THE RESPECTIVE CONSTITUTIONS AND LAWS OF THE UNITED STATES, THE COMMONWEALTH OF PENNSYLVANIA, OR OF ANY OTHER STATE.

BORROWER:

OCEAN THERMAL ENERGY CORPORATION

By: /s/ Jeremy Feakins_____
Name: Jeremy P. Feakins
Title: Group Executive Chairman

EXHIBIT A

CONVERSION NOTICE

NAME OF INVESTOR: _____

ADDRESS: _____

_____

Ocean Thermal Energy Corporation Date: _____
Attn: Chief Executive Officer
800 South Queen Street
Lancaster, PA 17603

CONVERSION NOTICE

The above-captioned Investor hereby gives notice to Ocean Thermal Energy Corporation, a Delaware corporation (the " ***Company***"), pursuant to that certain Promissory Note held by Investor (the "***Note***"), that the Investor elects to convert the balance set forth below into fully-paid and non-assessable shares of Common Stock of the Company as of the date of nversion specified below. Capitalized terms used in this notice without definition shall have the meanings given to them in the Note.

A. Date of conversion:
B. Conversion Amount:
C. Conversion Shares:

Sincerely,

INVESTOR:

By:

Name (print):

LOAN EXTENSION AGREEMENT

This LOAN EXTENSION AGREEMENT (this **"Amendment"),** is entered into this 6th day of April, 2017, by and between OCEAN THERMAL ENERGY CORPORATION ("OTE"), a Delaware corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the **"Borrower"),** and CHARLES HARTMAN at 834 Spruce Street, Columbia PA 17512 (the **"Lender"),** on the following

Premises

Borrower and Lender entered into that certain Loan Agreement as of April 7, 2015 (the **"Loan Agreement"),** providing for a loan of $50,000 from Lender to Borrower (the **"Loan").** The obligation to repay the Loan is evidenced by that certain Promissory Note of even date executed and delivered by Borrower to Lender (the **"Note").** Pursuant to the terms of the Loan Documents, the Note was payable in full on or before April 7, 2017. In addition, at the lender's discretion, at anytime prior to the repayment of note, any unpaid principal and interest can be converted to common shares of the Company. The determination of the necessary shares required to settle the obligation will be based on a $0.75 share price.

Agreement

NOW THEREFOR, for and in consideration of the foregoing premises, which are incorporated herein by reference, the mutual promises and covenants set forth herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows.

1. **Confirmation of Indebtedness.** Borrower confirms the indebtedness due Lender under the Loan Documents.

2. **Extension.** Lender shall extend the due date for repayment of the Loan and the payment of the Note to April 7, 2018. The Lender shall mark conspicuously on the original of the Note in Lender's possession the foregoing extension or, at the request of the Borrower, execute and deliver to Borrower an amendment to be affixed to the Note further evidencing such extension.

3. **Extension of Conversion.** The Conversion Privilege will also be extended to April 7,2018.

4. **Confirmation of Loan Documents.** Except as expressly modified by the terms of this Amendment, the terms, covenants, conditions, representations, and warranties, and each of them, shall remain in full force and effect.

5. **Signature.** This Amendment may be executed in multiple counterparts of like tenor, each of which shall be deemed an original and all of which taken together will constitute one and the same instrument. Counterpart signatures of this Amendment that are manually signed and delivered by a uniquely marked, computer-generated signature in portable document

format (PDF) or other electronic method shall be deemed to constitute signed original counterparts hereof and shall bind the parties signing and delivering in such manner and shall be the same as the delivery of an original.

DATED as of the year and date first above written by the undersigned duly authorized signatories.

BORROWER:

OCEAN THERMAL ENERGY CORPORATION

By:/s/ Jeremy Feakins

Name: Jeremy Feakins Title: Chairman & CEO

LENDER:

By:/s/ Charles Hartman

Name: Charles Hartman

LOAN EXTENSION AGREEMENT

This LOAN EXTENSION AGREEMENT (this " **Amendment**"), is entered into this 16th day of April, 2018, by and between OCEAN THERMAL ENERGY CORPORATION ("OTE"), a Delaware corporation with an address of 800 South Queen Street, Lancaster, PA 17603 (the "**Borrower**"), and CHARLES HARTMAN at 834 Spruce Street, Columbia PA 17512 (the "**Lender**"), on the following

Premises

Borrower and Lender entered into that certain Loan Agreement as of April 7, 2015 (the " **Loan Agreement**"), providing for a loan of $50,000 from Lender to Borrower (the "**Loan**"). The obligation to repay the Loan is evidenced by that certain Promissory Note of even date executed and delivered by Borrower to Lender (the " **Note**"). Pursuant to the terms of the Loan Documents, the Note was payable in full on or before April 7, 2017. In addition, at the lender's discretion, at anytime prior to the repayment of note, any unpaid principal and interest can be converted to common shares of the Company. The determination of the necessary shares required to settle the obligation will be based on a $0.75 share price.

Agreement

NOW THEREFOR, for and in consideration of the foregoing premises, which are incorporated herein by reference, the mutual promises and covenants set forth herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows.

1. **Confirmation of Indebtedness**. Borrower confirms the indebtedness due Lender under the Loan Documents.

2. **Extension.** Lender shall extend the due date for repayment of the Loan and the payment of the Note to April 7, 2019. The Lender shall mark conspicuously on the original of the Note in Lender's possession the foregoing extension or, at the request of the Borrower, execute and deliver to Borrower an amendment to be affixed to the Note further evidencing such extension.

3. **Extension of Conversion.** The Conversion Privilege will also be extended to April 7, 2019.

4. **Confirmation of Loan Documents.** Except as expressly modified by the terms of this Amendment, the terms, covenants, conditions, representations, and warranties, and each of them, shall remain in full force and effect.

5. **Signature.** This Amendment may be executed in multiple counterparts of like tenor, each of which shall be deemed an original and all of which taken together will constitute one and the same instrument. Counterpart signatures of this Amendment that are manually signed and delivered by a uniquely marked, computer-generated signature in portable document format (PDF) or other electronic method shall be deemed to constitute signed original counterparts hereof and shall bind the parties signing and delivering in such manner and shall be the same as the delivery of an original.

DATED as of the year and date first above written by the undersigned duly authorized signatories.

BORROWER:

OCEAN THERMAL ENERGY CORPORATION

By: _/s/ Jeremy Feakins_____
Name: Jeremy Feakins
Title: Chairman & CEO

LENDER:

By: _/s/ Charles Hartman_____
Name: Charles Hartman

PROMISSORY NOTE

$25,000 **Lancaster, PA** **December 21, 2016**

FOR VALUE RECEIVED, the undersigned, TETRIDYN SOLUTIONS, INC., a Nevada corporation ("Maker"), whose mailing address and principal office is 800 South Queen Street, Lancaster, PA 17603, USA, hereby promises to pay to JPF VENTURE GROUP, INC., a Delaware corporation ("Payee"), whose mailing address is 800 South Queen Street, Lancaster, PA 17603, up to the principal sum of TWENTY FIVE THOUSAND DOLLARS AND NO CENTS ($25,000), as represented by advances from time to time, in lawful money of the United States of America for payment of private debts, together with interest (calculated on the basis of the actual number of days elapsed but computed as if each year consisted of 360 days) on the unpaid principal balance from time to time outstanding at a rate, except as otherwise provided in this Note, of six percent (6%) per annum.

1. Payments. All unpaid principal and all accrued and unpaid interest shall be due and payable within 90 days after demand.

2. Time and Place of Payment. If any payment falls due on a day that is considered a legal holiday in the state of Delaware, Maker shall be entitled to delay such payment until the next succeeding regular business day, but interest shall continue to accrue until the payment is in fact made. Each payment or prepayment hereon must be paid at the office of Payee set forth above or at such other place as the Payee or other holder hereof may, from time to time, designate in writing.

3. Prepayment. Maker reserves the right and privilege of prepaying this Note in whole or in part, at any time or from time to time, upon 30 days' written notice, without premium, charge, or penalty. Prepayments on this Note shall be applied first to accrued and unpaid interest to the date of such prepayment, next to expenses for which Payee is due to be reimbursed under the terms of this Note, and then to the unpaid principal balance hereof.

4. Conversion. Subject to and in compliance with the provisions contained herein, Payee is entitled, at its option, at any time prior to maturity, or in the case this Note or some portion hereof shall have been called for prepayment before such date, then for this Note or such portion hereof, until and including, but not after, the close of business within 30 days after the date of notice of prepayment, to convert this Note (or any portion of the principal amount hereof or accrued and unpaid interest hereon) into fully paid and nonassessable shares (calculated as to each conversion to the nearest share) of common stock, par value $0.001 per share, of Maker (the "Shares") at the rate of one share for each $0.03 of principal amount of this Note, by surrender of this Note, duly endorsed (if so required by Maker) or assigned to Maker or in blank, to Maker at its offices, accompanied by written notice to Maker, in the form attached hereto, that Payee elects to convert this Note or, if less than the entire principal amount hereof is to be converted, the portion thereof to be converted. On conversion, Payee shall be entitled to payment of accrued interest on this Note through the date of conversion. No fractions of Shares will be issued on conversion, but instead of any fractional interest, Maker will pay cash. Payee is entitled, at its option, to require that the exercise price be appropriately adjusted in the event of any stock splits, reverse-split, merger, consolidation, conversion, or any similar change in Maker's common stock. Payee is also entitled, at its option, to require that the conversion price and number of shares issuable on conversion of this Note be appropriately adjusted in the event of any stock splits, reverse-split, merger, consolidation, conversion, or similar change in Maker's common stock. For the avoidance of doubt, it is explicitly agreed that if the Payee does not exercise these options, the exercise price, conversion price, and number of shares shall remain unchanged after any stock splits, reverse-split, merger, consolidation, conversion, or any similar change in Maker's common stock.

5. Default.

(a) Without notice or demand (which are hereby waived), the entire unpaid principal balance of, and all accrued interest on, this Note shall immediately become due and payable at Payee's option upon the occurrence of one or more of the following events of default ("Events of Default"):

(i) the failure or refusal of Maker to pay principal or interest on this Note within 10 days of when the same becomes due in accordance with the terms hereof;

(ii) the failure or refusal of Maker punctually and properly to perform, observe, and comply with any covenant or agreement contained herein, and such failure or refusal continues for a period of 30 days after Maker has (or, with the exercise of reasonable investigation, should have) notice hereof;

(iii) Maker shall: (1) voluntarily seek, consent to, or acquiesce in the benefit or benefits of any Debtor Relief Law (defined hereinafter); or (2) become a party to (or be made the subject of) any proceeding provided for by any Debtor Relief Law, other than as a creditor or claimant, that could suspend or otherwise adversely affect the Rights (defined hereinafter) of Payee granted herein (unless, in the event such proceeding is involuntary, the petition instituting same is dismissed within 60 days of the filing of same). "Debtor Relief Law" means the Bankruptcy Code of the United States of America and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar Laws from time to time in effect affecting the Rights of creditors generally. "Rights" means rights, remedies, powers, and privileges. "Laws" means all applicable statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of any state, commonwealth, nation, territory, possession, county, parish, municipality, or Tribunal. "Tribunal" means any court or governmental department, commission, board, bureau, agency, or instrumentality of the United States or of any state, commonwealth, nation, territory, possession, county, parish, or municipality, whether now or hereafter constituted and/or existing;

(iv) the failure to have discharged within a period of 30 days after the commencement thereof any attachment, sequestration, or similar proceeding against any of the assets of Maker, or the loss, theft, or destruction of, or occurrence of substantial damage to, a material part of the assets of Maker, except to the extent adequately covered by insurance; and

(v) Maker fails to pay any money judgment against it at least 10 days prior to the date on which any of Maker's assets may be lawfully sold to satisfy such judgment.

(b) If any one or more of the Events of Default specified above shall have happened, Payee may, at its option: (i) declare the entire unpaid balance of principal and accrued interest on this Note to be immediately due and payable without notice or demand; (ii) offset against this Note any sum or sums owed by Payee to Maker; (iii) reduce any claim to judgment; (iv) foreclose all liens and security interests securing payment thereof or any part thereof; and (v) proceed to protect and enforce its rights by suit in equity, action of law, or other appropriate proceedings, whether for the specific performance of any covenant or agreement contained in this Note, in aid of the exercise granted by this Note of any right, or to enforce any other legal or equitable right or remedy of Payee.

6. Cumulative Rights. No delay on Payee's part in the exercise of any power or right, or single partial exercise of any such power or right, under this Note or under any other instrument executed pursuant hereto shall operate as a waiver thereof. Enforcement by Payee of any security for the payment hereof shall not constitute any election by it of remedies, so as to preclude the exercise of any other remedy available to it.

7. Collection Costs. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceeding at law or in equity or in bankruptcy, receivership, or other court proceedings, Maker agrees to pay all costs of collection, including Payee's court costs and reasonable attorney's fees.

8. Waiver. Maker, and each surety, endorser, guarantor, and other party liable for the payment of any sums of money payable on this Note, jointly and severally waive presentment and demand for payment, protest, and notice of protest and nonpayment, or other notice of default, except as specified herein, and agree that their liability on this Note shall not be affected by any renewal or extension in the time of payment hereof, indulgences, partial payment, release, or change in any security for the payment of this Note, before or after maturity, regardless of the number of such renewals, extensions, indulgences, releases, or changes.

9. Notices. Any notice, demand, request, or other communication permitted or required under this Note shall be in writing and shall be deemed to have been given as of the date so delivered, if personally served; as of the date so sent, if sent by electronic mail and receipt is acknowledged by the recipient; one day after the date so sent, if delivered by overnight courier service; or three days after the date so mailed, if mailed by certified mail, return receipt requested, addressed to Maker at its address on the first page.

10. Successor and Assigns. All of the covenants, stipulations, promises, and agreements in this Note contained by or on behalf of Maker shall bind its successors and assigns, whether so expressed or not; *provided*, *however*, that neither Maker nor Payee may, without the prior written consent of the other, assign any rights, powers, duties, or obligations under this Note.

11. Headings. The headings of the sections of this Note are inserted for convenience only and shall not be deemed to constitute a part hereof.

12. Applicable Law. This Note is being executed and delivered, and is intended to be performed, in the state of Delaware, and the substantive laws of such state shall govern the validity, construction, enforcement, and interpretation of this Note, except insofar as federal laws shall have application.

13. Security. This Note is unsecured.

EXECUTED effective the year and date first above written.

TETRIDYN SOLUTIONS, INC.

By: /s/ Peter Wolfson
Peter Wolfson, Director

TetriDyn Solutions, Inc.
800 South Queen Street
Lancaster, PA 17603, USA

Re: Conversion of Note

Gentlemen:

The undersigned owner of this Note hereby irrevocably exercises the option to convert this Note or the portion hereof designated, into shares of common stock, par value $0.001 per share, of TetriDyn Solutions, Inc., in accordance with the terms of this Note, and directs that the shares issuable and deliverable upon the conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned unless a different name has been indicated below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay any transfer taxes payable with respect thereto.

(Signature)
Dated:

FILL IN FOR REGISTRATION
OF SHARES:

JPF VENTURE GROUP, INC
(Printed Name)

47-1973424
(Social Security or Other Identifying Number)

800 South Queen Street
(Street Address)

Lancaster, PA 17603
(City/State/Zip Code)

Portion to be converted (if less than all)

NEITHER THE ISSUANCE NOR SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES FILED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount:
$371,250.00

Issue Date: December 14, 2018

REPLACEMENT CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, **OCEAN THERMAL ENERGY CORPORATION**, a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of **L2 CAPITAL, LLC**, a Kansas limited liability company, or its registered assigns (the "Holder") the principal sum of **$371,250.00** (the "Principal Amount"), together with interest at the rate of twelve percent (12%) per annum on the aggregate unconverted and then outstanding Principal Amount of this Note, at maturity or upon acceleration or otherwise, as set forth herein (this "Note") (with the understanding that the initial six months of such interest shall be guaranteed). **This Note is being issued by the Borrower to the Holder to evidence the assignment by Collier Investments, LLC, a California limited liability company (the "Seller"), of that certain Convertible Note (the "Original Note") issued by the Borrower to the Seller on May 22, 2018, in the original principal amount of $281,250.00, pursuant to that certain Note Purchase and Assignment Agreement (the "Note Purchase Agreement") entered into on December 14, 2018 (the "Issue Date"), which such amount evidencing the principal amount of the Original Note was fully funded and earned by the Seller on or before the date of issuance of the Original Note. The Principal Amount of this Note outstanding will initially be $371,250.00 on the Issue Date.** The maturity date of this Note shall be December 22, 2018 (the "Maturity Date"), and is the date upon which the Principal Amount, as well as any accrued and unpaid interest and other fees, shall be due and payable. This Note may not be repaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note, which is not paid by the applicable Maturity Date, shall bear interest at the rate of the lesser of (i) twenty-four percent (24%) per annum or (ii) the maximum amount allowed by law, from the due date thereof until the same is paid ("Default Interest"). Interest shall commence accruing on the date that this Note is issued and shall be computed on the basis of a 365-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into the Borrower's common stock (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed.

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following additional terms shall also apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right. The Holder shall have the right at any time on or after the Issue Date, to convert all or any part of the outstanding and unpaid Principal Amount and accrued and unpaid interest of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the Conversion Price determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of this Note or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock (the "Maximum Share Amount"). The Holder, upon not less than 61 days' prior written notice to the Borrower, may increase the Maximum Share Amount, provided that the Maximum Share Amount shall never exceed 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Note held by the Holder and the provisions of this Section 1.1 shall continue to apply. Any such increase will not be effective until the 61st day after such notice is delivered to the Borrower. The Maximum Share Amount provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 1.1 to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Maximum Share Amount provisions contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Note. For purposes of this Section 1.1, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.3 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the Principal Amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such Principal Amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 1.2, 1.3(g), 4.11, 4.12 and/or 4.13 and/or Article III hereof.

1.2 Conversion Price.

(a) Calculation of Conversion Price. The "Conversion Price" per share shall be the Variable Conversion Price (as defined herein) (subject to adjustment as further described herein). The "Variable Conversion Price" shall mean 65% multiplied by the Market Price (as defined herein) (representing a discount rate of 35%). " Market Price" means the lowest Trading Price (as defined below) for the Common Stock during the twenty (20) Trading Day period ending on the last complete Trading Day prior to the Conversion Date. "Trading Price" or "Trading Prices" means, for any security as of any date, the lowest VWAP price on the Over-the-Counter Pink Marketplace, OTCQB, or applicable trading market (the "Trading Market") as reported by a reliable reporting service designated by the Holder (i.e. www.Nasdaq.com) or, if the Trading Market is not the principal trading market for such security, on the principal securities exchange or trading market where such security is listed or traded or, if the lowest intraday trading price of such security is not available in any of the foregoing manners, the lowest intraday price of any market makers for such security that are quoted on the OTC Markets. If the Conversion Price on the date in which the Holder actually receives the Conversion Shares (each a "Share Delivery Date") is less than the Conversion Price in the respective Notice of Conversion, then the Conversion Price in the respective Notice of Conversion shall be retroactively adjusted downward to equal the Conversion Price on the Share Delivery Date. If the Trading Price cannot be calculated for such security on such date in the manner provided above, the Trading Price shall be the fair market value as mutually determined by the Borrower and the Holder in order to determine the Conversion Price of this Note. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the Trading Market, or on the principal securities exchange or other securities market on which the Common Stock is then being traded. Each time an Event of Default (as defined herein) occurs while this Note is outstanding, an additional discount of five percent (5%) shall be factored into the Conversion Price (in addition to the base 40% discount rate). All expenses incurred by Holder, for the issuance and clearing of the Common Stock into which this Note is convertible into, shall immediately and automatically be added to the balance of this Note at such time as the expenses are incurred by Holder pursuant to written notice regarding the same from the Holder to the Borrower.

Each time, while this Note is outstanding, the Borrower enters into a Section 3(a)(9) Transaction (as defined herein) (including but not limited to the issuance of new promissory notes or of a replacement promissory note), or Section 3(a)(10) Transaction (as defined herein), in which any 3rd party has the right to convert monies owed to that 3 rd party (or receive shares pursuant to a settlement or otherwise) at a discount to market greater than the Variable Conversion Price in effect at that time (prior to all other applicable adjustments in this Note), then the Conversion Price may be adjusted at the option of the Holder to such greater discount percentage (prior to all applicable adjustments in this Note) until this Note is no longer outstanding. Each time, while this Note is outstanding, the Borrower enters into a Section 3(a)(9) Transaction (including but not limited to the issuance of new promissory notes or of a replacement promissory note), or Section 3(a)(10) Transaction, in which any 3rd party has a look back/holding period greater than the look back/holding period in effect under this Note at that time, then the Holder's look back/holding period may be adjusted at the option of the Holder to such greater number of days until this Note is no longer outstanding. The Borrower shall give written notice to the Holder, with the adjusted Conversion Price and/or adjusted look back/holding period (each adjustment that is applicable due to the triggering event), within one (1) business day of an event that requires any adjustment described in the two immediately preceding sentences, and the Holder shall have the sole discretion in determining whether to utilize the adjusted term pursuant to this section. So long as this Note is outstanding, if any security of the Borrower contains any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder in this Note, then the Borrower shall notify the Holder of such additional or more favorable term and such term, at Holder's option, shall become a part of the transaction documents with the Holder pursuant to the amendment thereof at the Holder's direction.

If at any time the Conversion Price as determined hereunder for any Conversion would be less than the par value of the Common Stock, then at the sole discretion of the Holder, the Conversion Price hereunder may equal such par value for such conversion and the Conversion Amount for such conversion may be increased (at the option of the Holder) to include Additional Principal (without a reduction in the amount owed under this Note), where "Additional Principal" means such additional amount to be added to the Conversion Amount to the extent necessary to cause the number of conversion shares issuable upon such conversion to equal the same number of conversion shares as would have been issued had the Conversion Price not been adjusted by the Holder to the par value price.

If, at any time when this Note is issued and outstanding, the Borrower issues or sells, or is deemed to have issued or sold (in the sole determination of the Holder), any shares of Common Stock for a consideration per share less than the Conversion Price in effect on the date of such issuance (or deemed issuance) of such shares of Common Stock (a "Dilutive Issuance"), then the Holder shall have the right, in Holder's sole discretion on each conversion after such Dilutive Issuance, to utilize the price per share of the Dilutive Issuance as the Conversion Price for such conversion.

(b) Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note. The Borrower is required at all times to have authorized and reserved three times (300%) the number of shares that is actually issuable upon full conversion of this Note (based on the Conversion Price of this Note in effect from time to time) (the "Reserved Amount"). The Reserved Amount shall be increased from time to time in accordance with the Borrower's obligations hereunder. The Borrower represents that upon issuance, such shares of Common Stock will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which this Note shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Note. The Borrower acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of this Note.

1.3 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part at any time on or after the Issue Date, (A) by submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.3(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. The Holder and the Borrower shall maintain records showing the updated current unpaid and unconverted Principal Amount of the Note in connection with each Tranche Purchase. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid Principal Amount of this Note is so

converted. The Holder and the Borrower shall maintain records showing the Principal Amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, *prima facie,* be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid Principal Amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted Principal Amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder's account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion . Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.3 , the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within two (2) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid Principal Amount hereof, surrender of this Note) in accordance with the terms hereof.

(e) Obligation of Borrower to Deliver Common Stock . Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding Principal Amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., New York, New York time, on such date.

(f) Delivery of Common Stock by Electronic Transfer . In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is

participating in the Depository Trust Company (" DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Sections 1.1 and

1.2 and in this Section 1.3, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

(g) Failure to Deliver Common Stock Prior to Deadline . Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline the Borrower shall pay to the Holder $3,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock (unless such failure results from war, acts of terrorism, an epidemic, or natural disaster) ("Conversion Default Payments"). Such cash amount shall be paid to Holder in cash by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the Principal Amount of this Note on the fifth day of the month following the month in which it has accrued, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional Principal Amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure of, attempt to frustrate or interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.3(g) are justified.

1.4 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Securities Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.4 and who is an "accredited investor" (as defined in Rule 501(a) of the Securities Act). Except as otherwise provided (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Securities Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, UNLESS SOLD PURSUANT TO: (1) RULE 144 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (2) AN OPINION OF COUNSEL IN A CUSTOMARY FORM, THAT REGISTRATION IS NOT

REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS."

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Securities Act, which opinion shall be accepted by the Borrower so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Securities Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Borrower does not accept the opinion of counsel provided by the Holder with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of this Note.

1.5 Status as Shareholder . Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Reserved Amount or non-waived Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates or transmission of such shares pursuant to Section 1.3(f) for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if this Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3(g) to the extent required thereby for such conversion default and any subsequent conversion default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 1.2) for the Borrower's failure to convert this Note.

ARTICLE II. CERTAIN COVENANTS

2.1 Distributions on Capital Stock . So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

2.2 Restriction on Stock Repurchases . So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

ARTICLE III. EVENTS OF DEFAULT

The occurrence of any of the following events of default shall each be an "Event of Default", with no right to notice or right to cure except as specifically stated:

3.1 Failure to Pay Principal or Interest . The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at the Maturity Date, upon acceleration, or otherwise.

3.2 Conversion and the Shares. The Borrower fails to reserve a sufficient amount of shares of Common Stock as required under the terms of this Note (including without limitation, Sections 1.2 and

1.3 of this Note), fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for two (2) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an Event of Default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within five (5) business days, either in cash or as an addition to the balance of this Note, and such choice of payment method is at the discretion of the Borrower.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note or any other documents entered into between the Holder and Borrower, and such breach continues for a period of three (3) days after written notice thereof to the Borrower from the Holder or after five (5) days after the Borrower should have been aware of the breach.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith, shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than

$100,000, and shall remain unvacated, unbonded or unstayed for a period of ten (10) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 Delisting of Common Stock . The Borrower shall fail to maintain the listing or quotation of the Common Stock on the Trading Market or an equivalent replacement exchange, the Nasdaq Global Market, the Nasdaq Capital Market, the New York Stock Exchange, or the NYSE American.

3.9 Failure to Comply with the Exchange Act . The Borrower shall fail to comply with the reporting requirements of the Exchange Act (including but not limited to becoming delinquent in its filings), and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10 Liquidation. The Borrower commences any dissolution, liquidation or winding up of Borrower or any substantial portion of its business.

3.11 Cessation of Operations . The Borrower ceases operations or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.12 Financial Statement Restatement. The Borrower replaces its auditor, or any restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statements, have constituted a material adverse effect on the Borrower or the rights of the Holder with respect to this Note.

3.13 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to the Holder.

3.14 Replacement of Transfer Agent . In the event that the Borrower replaces its transfer agent, and the Borrower fails to provide prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower that reserves the greater of the (i) total amount of shares previously held in reserve for this Note with the Borrower's immediately preceding transfer agent and (ii) Reserved Amount.

3.15 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the other financial instruments, including but not limited to all convertible promissory notes, currently issued, or hereafter issued, by the Borrower, to the Holder or any 3rd party (the "Other Agreements"), shall, at the option of the Holder, be considered a default under this Note, in which event the Holder shall be entitled to apply all rights and remedies of the Holder under the terms of this Note by reason of a default under said Other Agreement or hereunder.

3.16 Inside Information. Any attempt by the Borrower or its officers, directors, and/or affiliates to transmit, convey or disclose, or any actual transmittal, conveyance or disclosure by the Borrower or its officers, directors, and/or affiliates of, material non-public information concerning the

Borrower, to the Holder or its successors and assigns, which is not immediately cured by Borrower's filing of a Form 8-K pursuant to Regulation FD on that same date.

3.17 No bid. At any time while this Note is outstanding, the lowest Trading Price on the Trading Market or other applicable principal trading market for the Common Stock is equal to or less than
$0.01.

3.18 Prohibition on Debt and Variable Securities. So long as this Note is outstanding, the Borrower shall not, without written consent of the Holder, issue any Variable Security (as defined herein), unless (i) the Borrower is permitted to pay off this Note in cash at the time of the issuance of the respective Variable Security and (ii) the Borrower pays off this Note, pursuant to the terms of this Note, in cash at the time of the issuance of the respective Variable Security. A "Variable Security" shall mean any security issued by the Borrower that (a) has or may have conversion rights of any kind, contingent, conditional or otherwise in which the number of shares that may be issued pursuant to such conversion right varies with the market price of the Common Stock; (b) is or may become convertible into Common Stock (including without limitation convertible debt, warrants or convertible preferred stock), with a conversion or exercise price that varies with the market price of the Common Stock, even if such security only becomes convertible or exercisable following an Event of Default, the passage of time, or another trigger event or condition; or (c) was issued or may be issued in the future in exchange for or in connection with any contract, security, or instrument, whether convertible or not, where the number of shares of Common Stock issued or to be issued is based upon or related in any way to the market price of the Common Stock, including, but not limited to, Common Stock issued in connection with a Section 3(a)(9) exchange, a Section 3(a)(10) settlement, or any other similar settlement or exchange.

3.19 Failure to Repay Upon Qualified Offering. The Borrower fails to repay this Note, in its entirety, pursuant to the terms of this Note, with funds received from its next completed offering of
$1,000,000.00 or more (consummated on or after the Issue Date).

UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, THIS NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT AMOUNT (AS DEFINED HEREIN); MULTIPLIED
BY (Z) TWO (2). Upon the occurrence of any Event of Default specified in Sections 3.1, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, 3.18, and/or this 3.19, this Note shall
become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to 140% (plus an additional 5% per each additional Event of Default that occurs hereunder) multiplied by the then outstanding entire balance of this Note (including principal and accrued and unpaid interest) plus Default Interest, if any, plus any amounts owed to the Holder pursuant to Sections 1.3(g) hereof (collectively, in the aggregate of all of the above, the " Default Amount"), and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity. Each time an Event of Default occurs while this Note is outstanding, an additional discount of five percent (5%) discount shall be factored into the Conversion Price.

The Holder shall have the right at any time, to require the Borrower, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect, subject to issuance in tranches due to the beneficial ownership limitations contained in this Note.

ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be
(i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, facsimile, or electronic mail addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery, upon electronic mail delivery or upon delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

Ocean Thermal Energy Corporation 800 South Queen Street
Lancaster, PA 17603
Attention: Jeremy Feakins, CEO

e-mail: jeremy.feakins@otecorporation.com If to the Holder:
L2 CAPITAL, LLC
208 Ponce de Leon Ave. Ste. 1600
San Juan, PR 00918
Attention: Adam Long, Managing Partner e-mail: investments@ltwocapital.com

with a copy to that shall not constitute notice:

K&L Gates LLP

200 S. Biscayne Blvd., Ste. 3900
Miami, FL 33131
Attention: John D. Owens, III, Esq. e-mail: john.owens@klgates.com

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term “Note” and all reference thereto,

as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Notwithstanding anything to the contrary herein, the rights, interests or obligations of the Borrower hereunder may not be assigned, by operation of law or otherwise, in whole or in part, by the Borrower without the prior signed written consent of the Holder, which consent may be withheld at the sole discretion of the Holder (any such assignment or transfer shall be null and void if the Borrower does not obtain the prior signed written consent of the Holder). This Note or any of the severable rights and obligations inuring to the benefit of or to be performed by Holder hereunder may be assigned by Holder to a third party, in whole or in part, without the need to obtain the Borrower's consent thereto. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501(a) of the Securities Act). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law. This Note shall be governed by and interpreted in accordance with the laws of the State of Kansas without regard to the principles of conflicts of law (whether of the State of Kansas or any other jurisdiction).

4.7 Arbitration. Any disputes, claims or controversies arising out of or relating to this Note, or the transactions contemplated hereby, or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Note to arbitrate, shall be referred to and resolved solely and exclusively by binding arbitration to be conducted before the Judicial Arbitration and Mediation Service ("JAMS"), or its successor pursuant the expedited procedures set forth in the JAMS Comprehensive Arbitration Rules and Procedures (the "Rules"), including Rules 16.1 and
16.2 of those Rules. The arbitration shall be held in New York, New York, before a tribunal consisting of three (3) arbitrators each of whom will be selected in accordance "strike and rank" methodology set forth in Rule 15. Either party to this Note may, without waiving any remedy under this Note, seek from any court sitting in the County of Johnson, State of Kansas any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal. The costs and expenses of such arbitration shall be paid by and be the sole responsibility of the Borrower, including but not limited to the Holder's attorneys' fees and each arbitrator's fees. The arbitrators' decision must set forth a reasoned basis for any award of damages or finding of liability. The arbitrators' decision and award will be made and delivered as soon as reasonably possible and in any case within sixty (60) days following the conclusion of the arbitration hearing and shall be final and binding on the parties and may be entered by any court having jurisdiction thereof.

4.8 JURY TRIAL WAIVER. THE BORROWER AND THE HOLDER HEREBY WAIVE A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS NOTE.

4.9 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding Principal Amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not

a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.10 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

4.11 Section 3(a)(10) Transactions. If at any time while this Note is outstanding, the Borrower enters into a transaction structured in accordance with, based upon, or related or pursuant to, in whole or in part, Section 3(a)(10) of the Securities Act (a "3(a)(10) Transaction"), then a liquidated damages charge of 100% of the outstanding principal balance of this Note at that time, will be assessed and will become immediately due and payable to the Holder, either in the form of cash payment, an addition to the balance of this Note, or a combination of both forms of payment, as determined by the Holder. The liquidated damages charge in this Section 4.11 shall be in addition to, and not in substitution of, any of the other rights of the Holder under this Note.

4.12 Reverse Split Penalty. If at any time while this Note is outstanding, the Borrower effectuates a reverse split with respect to the Common Stock, then a liquidated damages charge of 30% of the outstanding principal balance of this Note at that time, will be assessed and will become immediately due and payable to the Holder, either in the form of cash payment, an addition to the balance of this Note, or a combination of both forms of payment, as determined by the Holder. The liquidated damages charge in this Section 4.12 shall be in addition to, and not in substitution of, any of the other rights of the Holder under this Note.

4.13 Restriction on Section 3(a)(9) Transactions. So long as this Note is outstanding, the Borrower shall not enter into any 3(a)(9) Transaction with any party other than the Holder, without prior written consent of the Holder. In the event that the Borrower does enter into, or makes any issuance of Common Stock related to, a 3(a)(9) Transaction while this Note is outstanding, a liquidated damages charge of 25% of the outstanding principal balance of this Note, but not less than $15,000, will be assessed and will become immediately due and payable to the Holder at its election in the form of cash payment, an addition to the balance of this Note or a combination of both forms of payment, as determined by the Holder. "3(a)(9) Transaction" means a transaction structured in accordance with, based upon, or related or pursuant to, in whole or in part, Section 3(a)(9) of the Securities Act. The liquidated damages charge in this Section 4.13 shall be in addition to, and not in substitution of, any of the other rights of the Holder under this Note.

4.14 Terms of Future Financings. So long as this Note is outstanding, upon any issuance by the Borrower or any of its subsidiaries of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder in this Note, then the Borrower shall notify the Holder of such additional or more favorable term and such term, at Holder's option, shall become a part of the transaction documents with the Holder. The

types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, prepayment rate, conversion look back/holding periods, interest rates, original issue discounts, stock sale price, private placement price per share, and warrant coverage.

4.15 Usury. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Borrower covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Borrower from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Note, and the Borrower (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

4.16 Right of First Refusal. If at any time after the Issue Date and until this Note is satisfied in full, the Borrower has a bona fide offer of capital or financing from any 3 party, that the Borrower intends to act upon, then the Borrower must first offer such opportunity to the Holder to provide such capital or financing to the Borrower on the same or similar terms as each respective 3rd party's terms, and the Holder may in its sole discretion determine whether the Holder will provide all or a portion of such capital or financing. Except as otherwise provided in this Note, should the Holder be unwilling or unable to provide such capital or financing to the Borrower within 10 trading days from Holder's receipt of written notice of the offer (the "Offer Notice") from the Borrower, then the Borrower may obtain such capital or financing from that respective 3 rd party upon the exact same terms and conditions offered by the Borrower to the Holder, which transaction must be completed within 15 days after the date of the Offer Notice. Borrower shall, within two (2) business days of the respective closing, utilize 50% of all proceeds received by Borrower by each respective 3rd party that provides capital or financing to the Borrower, to repay this Note. If the Borrower does not receive the capital or financing from the respective 3rd party within 15 days after the date of the respective Offer Notice, then the Borrower must again offer the capital or financing opportunity to the Holder as described above, and the process detailed above shall be repeated. The Offer Notice must be sent via electronic mail to investments@ltwocapital.com.

**** signature page to follow ****

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer on the Issue Date.

Ocean Thermal Energy Corporation

By:/s/ Jeremy Feakins
Name: Jeremy Feakins
Title: Chief Executive Officer

EXHIBIT A NOTICE OF CONVERSION

The undersigned hereby elects to convert $ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of Ocean Thermal Energy Corporation, a Nevada corporation (the "Borrower"), according to the conditions of the replacement convertible promissory note of the Borrower dated as of December 14, 2018 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker: Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

L2 CAPITAL, LLC
208 Ponce de Leon Ave. Ste. 1600
San Juan, PR 00918
e-mail: investments@ltwocapital.com

Date of Conversion:	
Applicable Conversion Price:	$
Number of Shares of Common Stock to be Issued Pursuant to Conversion of this Note:	
Amount of Principal Balance Due remaining Under this Note after this conversion:	

L2 CAPITAL, LLC

By:_ Name: Title: Date:

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1 (No. 333-222529), as amended, and Form S-8 (No. 333-210640) of our report dated March 22, 2019, with respect to December 31, 2018 and December 31, 2017 consolidated financial statements of Ocean Thermal Energy Corporation included in its Annual Report (Form 10-K).

We also consent to the reference to our Firm under the caption "Experts" in the Registration Statements.

/s/ Liggett & Webb, P.A.
LIGGETT & WEBB, P.A.
Certified Public Accountants

Boynton Beach, Florida
March 22, 2019

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeremy Feakins, certify that:

1. I have reviewed this Form 10-K of Ocean Thermal Energy Corporation for the year ended December 31, 2018.

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(s) 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 evaluations; 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(s) and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of 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 22, 2019

/s/ Jeremy P. Feakins

Jeremy P. Feakins
Chief Executive Officer and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Ocean Thermal Energy Corporation (the "Company") for the year ending December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeremy P. Feakins, Chief Executive Officer and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(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 22, 2019

By: /s/ Jeremy P. Feakins
Jeremy P. Feakins
Chief Executive Officer, Chief Financial Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original 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.