FORM SC 13D/A

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities [amend]

Filing Date: **2005-05-02**
SEC Accession No. 0000950133-05-001858

SUBJECT COMPANY

BEACON POWER CORP

CIK:**1103345**| IRS No.: **043372365** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **SC 13D/A** | Act: **34** | File No.: **005-60669** | Film No.: **05791971**
SIC: **4911** Electric services

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No. 3)*

Beacon Power Corporation

(Name of Issuer)

Common Stock, par value $0.01 per share
(Title of Class of Securities)

073677 10 6
(CUSIP Number)

Kenneth M. Socha, Esq.
Perseus Capital, L.L.C.
2099 Pennsylvania Avenue, Suite 900
Washington, D.C. 20006
(202) 452-0101
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

April 22, 2005
(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. ☐

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person' s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

CUSIP No. 073677 10 6

1.	Name of Reporting Person: Perseus Capital, L.L.C.	I.R.S. Identification Nos. of above persons (entities only):
2.	Check the Appropriate Box if a Member of a Group (See Instructions): (a) ☐ (b) ☑	
3.	SEC Use Only:	
4.	Source of Funds (See Instructions): OO	
5.	Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e): ☐	
6.	Citizenship or Place of Organization: Delaware	
Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power: 9,410,944*	
	8. Shared Voting Power: 0	
	9. Sole Dispositive Power: 9,410,944*	
	10. Shared Dispositive Power: 0	
11.	Aggregate Amount Beneficially Owned by Each Reporting Person: 9,410,944*	
12.	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions): ☐	
13.	Percent of Class Represented by Amount in Row (11): 21.6%	
14.	Type of Reporting Person (See Instructions): OO	

* Pursuant to Rule 13d-3, Determination of Beneficial Ownership, this number represents the maximum number of shares of Common Stock the Reporting Person could beneficially own, assuming exercise in full of the Warrant (as defined in the original Schedule 13D and subject to certain future adjustments set forth in the Warrant and the expiration prior to the date of this Amendment of the right to purchase 2,904,000 Warrant Shares) (collectively, such Warrant Shares and shares of Common Stock are sometimes referred to herein as the "Beacon Shares").

** Represents the percentage obtained by dividing (i) the number of Beacon Shares by (ii) the sum of (a) the number of shares of Common Stock outstanding as of March 30, 2005 as reported in the Issuer' s Annual Report on Form 10-K filed with the Commission on March 31, 2005 and (b) the number of Warrant Shares. (*see* footnote * above).

CUSIP No. 073677 10 6

1. Name of Reporting Person: Frank H. Pearl (in capacity described herein)	I.R.S. Identification Nos. of above persons (entities only):
2. Check the Appropriate Box if a Member of a Group (See Instructions): (a) ☐ (b) ☑	
3. SEC Use Only:	
4. Source of Funds (See Instructions): AF	
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e): ☐	
6. Citizenship or Place of Organization: United States	
Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power:
	8. Shared Voting Power: 9,410,944*
	9. Sole Dispositive Power:
	10. Shared Dispositive Power: 9,410,944*
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 9,410,944*	
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions): ☐	
13. Percent of Class Represented by Amount in Row (11): 21.6%	
14. Type of Reporting Person (See Instructions): IN	

* Pursuant to Rule 13d-3, Determination of Beneficial Ownership, this number represents the maximum number of shares of Common Stock the Reporting Person could beneficially own, assuming exercise in full of the Warrant (as defined in the original Schedule 13D and subject to certain future adjustments set forth in the Warrant and the expiration prior to the date of this Amendment of the right to purchase 2,904,000 Warrant Shares) (collectively, such Warrant Shares and shares of Common Stock are sometimes referred to herein as the "Beacon Shares").

** Represents the percentage obtained by dividing (i) the number of Beacon Shares by (ii) the sum of (a) the number of shares of Common Stock outstanding as of March 30, 2005 as reported in the Issuer' s Annual Report on Form 10-K filed with the Commission on March 31, 2005 and (b) the number of Warrant Shares. (*see* footnote * above).

The original statement on Schedule 13D dated December 30, 2002, as amended by Amendment No. 1 thereto dated November 20, 2003 and Amendment No. 2 thereto dated January 20-26, 2004 (as so amended, the "Schedule 13D"), relating to the common stock, par value $0.01 per share (the "Common Stock"), of Beacon Power Corporation, a Delaware corporation ("Beacon" or the "Issuer"), is hereby further amended as set forth in this Amendment No. 3 (this "Amendment"). This Amendment is being filed jointly by Perseus Capital, L.L.C. ("Perseus Capital") and Mr. Frank H. Pearl ("Mr. Pearl," and together with Perseus Capital, the "Reporting Persons") to report that Perseus Capital has entered into an Investment Agreement, dated as of April 22, 2005 (the "Investment Agreement," a copy of which is attached hereto as Exhibit 2 and incorporated herein by reference), by and among Perseus Capital, Beacon, and Perseus 2000 Expansion, L.L.C. ("Perseus 2000 Expansion"), an affiliate of the Reporting Persons. Pursuant to the Investment Agreement, Perseus Capital and Perseus 2000 Expansion have agreed, among other things, to make the following investments in the Issuer in exchange for shares of Common Stock of the Issuer and warrants to purchase shares of Common Stock of the Issuer, which investments in the aggregate may equal or exceed more than one percent of the outstanding shares of Common Stock of the Issuer, upon the closing of the Investment Agreement and subject to the terms and conditions therein (collectively, the "Investments"):

1. Perseus 2000 Expansion has agreed to acquire (i) 1,666,667 shares of Common Stock of the Issuer for an aggregate price of $1,400,000, and (ii) a warrant to acquire 806,400 additional shares of Common Stock of the Issuer at an exercise price of $1.008 per share;

2. Perseus 2000 Expansion has granted the Issuer an option, exercisable at the Issuer' s election at any time and from time to time prior to September 30, 2005, to issue and sell to Perseus 2000 Expansion up to $1,500,000 of additional shares of its Common Stock at a price of $0.84 per share (the $1,500,000 maximum for this option will increase upon consummation of the Merger (as described below) by any portion of the NxtPhase Investment (as defined below) that has not been made as of the date of the Merger);

3. Perseus 2000 Expansion has committed to invest $1,500,000 in NxtPhase T&D Corporation, a Canadian corporation ("NxtPhase," and such investment, the "NxtPhase Investment") that, upon the closing of the merger of NxtPhase and a wholly owned subsidiary of the Issuer (the "Merger") pursuant to the Arrangement Agreement (as described in Item 4 below), would become a wholly owned subsidiary of Beacon, and the Issuer has granted to Perseus 2000 Expansion an option to make the NxtPhase Investment through the Issuer by acquiring additional shares of the Issuer' s Common Stock on the terms outlined above, the proceeds from which would then be used by the Issuer to make the NxtPhase Investment; and

4. Perseus Capital has agreed to pay $100,000 to Beacon in exchange for a two year extension (until May 23, 2007) of the expiration date of an outstanding warrant to acquire 1,333,333 shares of the Issuer' s Common Stock at a price of $2.25 per share.

(The foregoing summary of the Investments and the Investment Agreement is qualified in its entirety by reference to the copy of the Investment Agreement attached hereto as Exhibit 2 and incorporated herein by reference.)

This Amendment should be read in conjunction with, and is qualified in its entirety by reference to, the Schedule 13D. Except as disclosed in and expressly amended by this Amendment, all information set forth in the Schedule 13D is unaffected hereby.

Items 4, 5 and 6 of the Schedule 13D are hereby amended as follows:

Item 4. Purpose of Transaction

Beacon and NxtPhase have entered into an Arrangement Agreement dated as of April 22, 2005 (the "Arrangement Agreement") that provides for Beacon to acquire all of the outstanding shares of capital stock of NxtPhase pursuant to the Merger. Beacon and NxtPhase entered into the Arrangement Agreement after Perseus 2000, L.L.C., an affiliate of the Reporting Persons and Perseus 2000 Expansion ("Perseus 2000"), assigned to Beacon an option to acquire NxtPhase, which was granted to Perseus 2000 in connection with a previous investment made by Perseus 2000 in NxtPhase. Beacon, Perseus 2000 Expansion and Perseus Capital entered into the Investment Agreement to help fund Beacon' s on-going operations and NxtPhase' s operations pending and after the consummation of the Arrangement Agreement. Perseus 2000 entered into a letter agreement with the Issuer and NxtPhase in connection with the execution of the Arrangement Agreement providing certain representations and indemnities in connection therewith (a copy of which is attached hereto as Exhibit 3 and incorporated herein by reference).

Except as described in the Schedule 13D as amended by this Amendment, neither of the Reporting Persons has formulated any plans or proposals that relate to or would otherwise result in any matter required to be disclosed pursuant to paragraphs (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer

(a) Each of the Reporting Persons may be deemed to beneficially own, in accordance with SEC Rule 13d-3, an aggregate of 9,410,944 shares of Common Stock***. In its Annual Report on Form 10-K filed with the SEC on March 31, 2005, the Issuer disclosed that there were 43,665,143 shares of Common Stock outstanding on March 30, 2005. Therefore, the shares of Common Stock beneficially owned by the Reporting Persons represent approximately 21.6% of the Issuer' s outstanding Common Stock.

*** Without giving effect to the Investments, which remain subject to certain standard conditions precedent.

(b) (i) Perseus Capital may be deemed to have sole power to direct the voting and disposition of the 9,410,944 Beacon Shares*** beneficially owned by Perseus Capital.

(ii) By virtue of the relationships between the Reporting Persons described in Item 2 of the Schedule 13D, Mr. Pearl may be deemed to have the power to direct the voting and disposition of the 9,410,944 Beacon Shares*** beneficially owned by Perseus Capital.

(c) Except for the Investments described in Item 4 of this Amendment, neither Reporting Person nor, to the best knowledge of each Reporting Person, any party identified in Item 2 of the Schedule 13D, has effected or agreed to effect a transaction in shares of Common Stock of the Issuer during the past 60 days.

(d) The members of Perseus Capital have the right to participate in the receipt of dividends from, or proceeds from the sale of, the Beacon Shares held for the account of Perseus Capital in accordance with their membership interests in Perseus Capital.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Except as described in this Amendment, and as set forth in the Schedule 13D and the Exhibits attached thereto and incorporated therein by reference, to the best knowledge of each Reporting Person, there exist no contracts, arrangements, understandings or relationships (legal or otherwise) among the Reporting Persons and between such persons and any person with respect to any securities of the Issuer, including but not limited to transfer or voting of any securities of the Issuer, finder' s fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

Item 7. Material to be Filed as Exhibits

Exhibit 1. Joint Filing Agreement, dated as of April 29, 2005, by and between Perseus Capital and Mr. Pearl.

Exhibit 2. Investment Agreement, dated as of April 22, 2005, by and among the Issuer, Perseus Capital and Perseus 2000 Expansion.

Exhibit 3. Letter Agreement, dated as of April 22, 2005, by and among the Issuer, NxtPhase and Perseus 2000.

*** Without giving effect to the Investments, which remain subject to certain standard conditions precedent.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

FRANK H. PEARL

By: RODD MACKLIN
Name: Rodd Macklin
Title: Attorney-in-fact

Date: April 29, 2005

PERSEUS CAPITAL, L.L.C.

By: RODD MACKLIN
Name: Rodd Macklin
Title: Chief Financial Officer and Secretary

Date: April 29, 2005

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (See 18 U.S.C. 1001)

EXHIBIT 1

JOINT FILING AGREEMENT

Each of the undersigned hereby acknowledges and agrees, in compliance with the provisions of Rule 13d-1(k)(1) promulgated under the Securities Exchange Act of 1934, as amended, that the Amendment No. 3 to Schedule 13D to which this agreement is attached as Exhibit 1, and any amendments thereto, will be filed with the Securities and Exchange Commission jointly on behalf of each of the undersigned.

This agreement may be executed in counterparts.

Dated: April 29, 2005

FRANK H. PEARL

By: RODD MACKLIN
Name: Rodd Macklin
Title: Attorney-in-fact

PERSEUS CAPITAL, L.L.C.

By: RODD MACKLIN
Name: Rodd Macklin
Title: Chief Financial Officer and Secretary

EXHIBIT 2

INVESTMENT AGREEMENT

EXECUTION COPY

INVESTMENT AGREEMENT

THIS INVESTMENT AGREEMENT (this "Agreement"), dated as of April 22, 2005, is made by and among **BEACON POWER CORPORATION**, a Delaware corporation (the "Company"), **PERSEUS CAPITAL, L.L.C.**, a Delaware limited liability company ("Perseus Capital"), and **PERSEUS 2000 EXPANSION FUND, L.L.C.,** a Delaware limited liability company (the "Purchaser").

RECITALS

WHEREAS, on the terms and subject to the conditions set forth in this Agreement, the Company desires to issue and sell to the Purchaser 1,666,667 shares of the Company' s Common Stock (the "Initial Shares");

WHEREAS, on the terms and subject to the conditions set forth in this Agreement, the Company desires to obtain from the Purchaser an option (the "Call Option"), exercisable at the election of the Company, to issue and sell to the Purchaser the number of shares of the Company' s Common Stock determined in accordance with Section 2.1(c) of this Agreement;

WHEREAS, in consideration of the Purchaser' s agreement to acquire the Initial Shares and to grant the Company the Call Option, the Company has agreed to issue to the Purchaser on the date hereof a warrant to purchase certain additional shares of the Company' s Common Stock (the "Warrant");

WHEREAS, subject to the terms and conditions set forth in this Agreement, the Purchaser desires to acquire the Initial Shares, grant to the Company the Call Option, and acquire the Warrant;

WHEREAS, the Company has entered into an Arrangement Agreement of even date herewith with NxtPhase T&D Corp., a Canadian corporation ("NxtPhase"), pursuant to which the Company and NxtPhase will consummate a business combination (the "NxtPhase Transaction");

WHEREAS, the Purchaser has committed to invest an additional $1.5 million in NxtPhase in accordance with the term sheet ("Term Sheet") dated as of April 22, 2005 (the "NxtPhase Investment"); and

WHEREAS, the Purchaser and the Company have agreed that (i) at the option of the Purchaser (the "NxtPhase Investment Option"), the portion of the NxtPhase Investment that has not yet been invested as of the date the NxtPhase Investment Option is exercised by the Purchaser (the "Remaining NxtPhase Investment") will be made by the Company instead of by the Purchaser, (ii) if the Purchaser exercises the NxtPhase Investment Option, the Purchaser will provide the Company with sufficient funds to make such Remaining NxtPhase Investment on the terms and subject to the conditions set forth herein, and (iii) any portion of the NxtPhase Investment that has not been made on or prior to the consummation of the NxtPhase Transaction will be invested in the Company by the Purchaser on the terms and subject to the conditions set forth herein;

WHEREAS, Perseus Capital holds a warrant to acquire 1,333,333 shares of the Company' s Common Stock at an exercise price of $2.25 per share ("the "PC Warrant"), and the PC Warrant expires by its terms on May 23, 2005;

WHEREAS, Perseus Capital desires to obtain an extension for two years on the expiration date of the PC Warrant, and the Company is willing to grant such extension in exchange for a payment of $100,000.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the parties agree as follows:

ARTICLE I

DEFINITIONS

For all purposes of this Agreement the following terms have the meanings set forth in this Article I.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in the Commonwealth of Massachusetts or in the District of Columbia are authorized or required by law or executive order to close.

"Call Date" means the effective date of the Company' s Notice of Call delivered in accordance with Section 2.1 below.

"Charter" means the articles or certificate of incorporation or formation, statute, constitution, joint venture or partnership agreement, limited liability company agreement or articles or other organizational document of any Person other than an individual, each as from time to time amended or modified.

"Closing" has the meaning specified in Section 2.2.

"Closing Date" has the meaning specified in Section 2.2.

"Common Stock" means the common stock of the Company, par value $0.01 per share, and any securities into which such common stock may hereafter be converted or reclassified.

"Company" has the meaning specified in the introduction to this Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Effective Price" means with respect to any issuance of Common Stock, the price per share of Common Stock of such issuance; with respect to the issuance of any security convertible into shares of Common Stock, the purchase price paid for such convertible security divided by the number of shares of Common Stock issuable upon the conversion of such convertible security; and with respect to any option, warrant or other right to acquire shares of Common Stock, the exercise price for one share of Common Stock thereunder.

"Maximum Amount" means the sum of $1,500,000, plus if the NxtPhase Transaction is consummated, any portion of the NxtPhase Investment that has not been made by the Purchaser or the Company as of the date of such consummation.

"Per Share Price" means, $0.84 per share, subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions involving the Common Stock that occur after the date of this Agreement but prior to the applicable Closing Date.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, joint venture, unincorporated organization or other entity and any government, governmental department or agency or political subdivision thereof.

"Purchased Securities" means the Initial Shares, the Requested Shares (as defined below), the Warrant, any Additional Shares and any Additional Warrant.

"Purchaser" has the meaning specified in introduction to this Agreement.

"Registration Rights Agreement" means that certain Registration Rights Agreement of even date herewith by and between the Company and the Purchaser, substantially in the form set forth on Exhibit A.

"Securities Act" means the United States Securities Act of 1933, as amended.

ARTICLE II

SALE AND PURCHASE OF PURCHASED SECURITIES

SECTION 2.1. Investment Transactions.

(a) Sale and Purchase of the Initial Shares. For value received, and on the terms and subject to all of the conditions set forth herein, at the Initial Closing, the Company shall issue and sell to the Purchaser, and the Purchaser shall purchase, the Initial Shares at the Per Share Price, for a total investment in the Company at the Initial Closing of $1,400,000.

(b) Extension of PC Warrant Term. In consideration of the payment of $100,000 to the Company by Perseus Capital at the Initial Closing, the Company agrees to extend the term of the PC Warrant so that it expires on May 23, 2007 rather than on May 23, 2005.

(c) Call Option. For value received, and on the terms and subject to all of the conditions set forth herein, the Purchaser hereby irrevocably agrees to purchase upon demand by the Company such number of shares of the Company' s Common Stock at the Per Share Price as the Company shall request in its sole discretion (the "Requested Shares") in a Notice of Call delivered by the Company to Perseus after the date hereof substantially in the form set forth on Exhibit B hereto. In no event shall the Requested Shares in the aggregate exceed the number of shares equal to the quotient obtained by dividing the Maximum Amount by the Per Share Price. The Purchaser' s obligations under this Section 2.1(c) to purchase the Requested Shares shall expire upon September 30, 2005.

(d) NxtPhase Investment Option. The Purchaser shall have the option, but not the obligation, to assign to the Company its right to make any Remaining NxtPhase Investment (together with its rights under all investment documentation pertaining to the Remaining NxtPhase Investment) and if the Purchaser exercises the NxtPhase Investment Option, (i) the Company shall assume the Purchaser' s obligation to make any Remaining NxtPhase Investment, (ii) the Purchaser shall make an investment in the Company' s Common Stock on each date that the Company is required to make an investment in NxtPhase as part of the Remaining NxtPhase Investment, and (iii) in consideration of such investment, the Company shall issue and deliver to the Purchaser additional shares of Common Stock equal to the quotient obtained by dividing the amount of such investment by the Per Share Price (the "Additional Shares"). Notwithstanding the foregoing, the Purchaser shall not be entitled to exercise the NxtPhase Investment Option without the consent of the Company unless the definitive investment documentation pertaining to the NxtPhase Investment substantially reflects the terms set forth in the Term Sheet and otherwise is no less favorable to the purchaser than the investment documentation used in the most recent sale of Class A Preferred Stock by NxtPhase, as previously provided to the Company. Upon exercise of the NxtPhase Investment Option, the Company shall issue to the Purchaser an additional warrant having substantially the same terms as the Warrant, except that the initial number of shares of Common Stock issuable upon exercise of such warrant shall equal the quotient obtained by dividing (i) 27.8069% of the Remaining NxtPhase Investment by (ii) 120% of the Per Share Price (the "Additional Warrant").

(e) Deliveries. At the Initial Closing, the Company shall deliver to the Purchaser the following:

(i) the Warrant substantially in the form set forth on Exhibit C hereto duly executed by the Company;

(ii) evidence that the Company and its Board of Directors have authorized the amendment of the Company' s Rights Agreement dated September 25, 2002 (as amended, the "Rights Agreement") so that the Purchaser will not be considered an "Acquiring Person" (as such term is defined in the Rights Agreement) by reason of the Purchaser and the Company entering into the transactions contemplated hereby, including without limitation the Company' s issuance of the Purchased Securities and the Purchaser' s ownership of the Purchased Securities or any shares of Common Stock issuable or issued upon exercise of the Warrant.

(f) Unwind. In the event that (i) the NxtPhase Transaction is terminated for any reason or (ii) the NxtPhase Transaction is not consummated within fifty weeks after the date the Company makes its initial Remaining NxtPhase Investment, then within five Business days thereof, the Company shall transfer to the Purchaser all shares of capital stock of NxtPhase purchased pursuant to the Remaining NxtPhase Investment, and the Purchaser shall transfer to the Company all Purchased Securities issued in consideration for investments made by the Purchaser in the Company pursuant to subsection (d) of this Section 2.1 and the Additional Warrant. If any shares of Common Stock have been issued upon exercise of the Additional Warrant, such shares shall also be returned to the Company in exchange for the repayment to the Purchaser of the exercise price therefore. All such required transfers shall be made free and clear of any and all liens and encumbrances. Each of the Company and the Purchaser agree not to transfer, encumber or otherwise restrict any of the securities that may be subject to a transfer in

accordance with this Section 2.1(f) for so long as the respective transfer obligations hereunder shall be in effect.

SECTION 2.2. Closings. Each closing of the purchase and sale of Purchased Securities hereunder will take place remotely by means of mail, facsimile and electronic mail (with originally executed documents to be exchanged immediately thereafter). The closing (the "Initial Closing") of the purchase and sale of the Initial Shares shall be held on May 13, 2005 or on such other date as may be agreed to by the Purchaser and the Company (the "Initial Closing Date"). Each closing (each, a "Call Closing") of the purchase and sale of Requested Shares shall be held on a date specified in the applicable Notice of Call that is not earlier than fifteen Business Days following the delivery by the Company of a Notice of Call with respect to such Requested Shares (the "Call Closing Date"). Each closing (each, an "Additional Closing" and collectively with the Initial Closing and each Call Closing, each a "Closing") of the purchase and sale of any Additional Shares shall be held simultaneously with the closing of the additional investment to be made by the Company in NxtPhase as part of the Remaining NxtPhase Investment (each an "Additional Closing Date" and collectively with the Initial Closing Date and each Call Closing Date, each a "Closing Date"). At each Closing, (i) the Company will issue, sell and deliver to the Purchaser the Purchased Securities to be issued at such Closing by executing and delivering one or more stock certificates that in the aggregate represent such Purchased Securities, and (ii) the Purchaser shall pay the aggregate purchase price therefor by wire transfer of immediately available funds to an account designated in writing by the Company at least two Business Days prior to such Closing Date (the "Company Account"). In addition, at the Initial Closing, the Company shall issue to Perseus Capital an amended PC Warrant reflecting a two-year extension of the termination date thereunder and Perseus Capital shall pay to the Company $100,000 by wire transfer of immediately available funds in such amount to the Company Account and shall deliver to the Company for cancellation the existing PC Warrant.

SECTION 2.3. Use of Proceeds. The proceeds from the sale of the Initial Shares and any Requested Shares hereunder shall be used for capital expenditures, acquisitions, working capital and other general corporate purposes of the Company and its subsidiaries or otherwise as determined from time to time by the Company' s Board. The proceeds from the sale of any Additional Shares shall be used only to fund the Company' s obligations in connection with the Remaining NxtPhase Investment.

SECTION 2.4. Certain Adjustments. In the event the Company issues or is deemed under this Section 2.4 to have issued any shares of Common Stock on or prior to a Closing Date at an Effective Price less than the Per Share Price, the Per Share Price shall be reduced for purposes of each Closing held after such issuance or deemed issuance to the lowest such Effective Price and the number of Shares to be issued at each such Closing shall be increased so that the product of the Per Share Price, as so adjusted, multiplied by the number of Shares equals the aggregate purchase price paid at such Closing by the Purchaser. In the event the Company issues or is deemed to have issued under this Section 2.4 any shares of Common Stock after a Closing and prior to the six-month anniversary of such Closing at an Effective Price less than the Per Share Price, then within two Business Days of such issuance or deemed issuance, the Company, for no additional consideration, shall issue and deliver to the Purchaser an additional number of shares of Common Stock equal to the difference between (a) the number of shares of Common Stock that would have been issued to the Purchaser at all Closings held after the date that is six months prior to the date of such issuance or deemed issuance if the Per Share Price were equal to the

lowest such Effective Price minus (b) the number of shares of Common Stock actually issued to the Purchaser at all such Closings. For purposes of this Section 2.4, the Company shall be deemed to have issued shares of Common Stock if it issues any securities convertible into Common Stock or any option, warrant or other right to acquire Common Stock. This Section 2.4 shall not apply to, and no adjustment shall be made by reason of, the issuance of (i) any shares of Common Stock pursuant to the conversion of any security outstanding on the date hereof, (ii) any shares of Common Stock issued pursuant to the exercise of any option, warrant or other right to acquire Common Stock outstanding on the date hereof, (iii) any securities issued pursuant to any employee benefit plan approved by the Company' s Board of Directors or its Compensation Committee, (iv) any securities issued in connection with any merger or consolidation of the Company with another Person or the purchase by the Company of all or substantially all of the assets of any other Person, (v) any securities issued pursuant to a stock split, stock dividend or recapitalization involving the Company, (vi) shares of Common Stock issued to the Purchaser pursuant to this Section 2.4 or (vii) securities issued in replacement of any securities issued pursuant to the preceding subsections (i) – (vi).

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

In order to induce Perseus Capital and the Purchaser to enter into this Agreement and to induce the Purchaser to purchase the Purchased Securities, the Company hereby represents and warrants, as of the date hereof and as each Closing Date, that:

SECTION 3.1. Organization and Good Standing. The Company is duly organized, validly existing and in good standing in its jurisdiction of organization and is duly qualified and authorized to do business in all other jurisdictions in which the nature of its business or property makes such qualification necessary. The Company has the power to own its properties and to carry on its business as now conducted and as proposed to be conducted.

SECTION 3.2. Authorization. The execution, delivery and performance by the Company of this Agreement, the Registration Rights Agreement, and the issuance and sale by the Company of the Purchased Securities hereunder: (a) are within the Company' s power and authority; (b) have been duly authorized by all necessary corporate and other proceedings; (c) has been duly executed and delivered by an authorized officer of the Company; and (d) do not and will not result in the creation of any lien upon any of the Company' s property or conflict with or result in any breach of any provision of the Company' s Charter, or any law, regulation, order, judgment, writ, injunction, license, permit, agreement or instrument to which the Company is subject.

SECTION 3.3. Enforceability. The execution and delivery by the Company of this Agreement, the Registration Rights Agreement, and the issuance and sale by the Company of the Purchased Securities hereunder, will result in legally binding obligations of the Company, enforceable against it in accordance with the respective terms and provisions hereof and thereof except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies, and (iii) to the extent the indemnification provisions contained in this Agreement and/or in the Registration Rights Agreement may be limited by applicable federal or state securities laws.

SECTION 3.4. SEC Reports. The Company has filed all reports required to be filed by it under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the three years preceding the date hereof (or such shorter period as the Company was required by law to file such reports) (the foregoing reports, including the exhibits thereto, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the U.S. Securities Exchange Commission promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

ARTICLE IV

REPRESENTATIONS OF THE PURCHASER AND PERSEUS CAPITAL

SECTION 4.1. Investment Intent. The Purchaser hereby represents, warrants and covenants to the Company that the Purchaser will acquire the Purchased Securities to be purchased by the Purchaser hereunder for investment only for the Purchaser' s own account, not as a nominee or agent and not with a view to the sale or distribution of any part thereof. The Purchaser hereby agrees that it will not transfer the Purchased Securities or any securities received upon exercise of the Warrant or the Additional Warrant in a manner that will violate the Securities Act.

SECTION 4.2. Authorization. Each of Perseus Capital and the Purchaser hereby represents and warrants to the Company that this Agreement has been executed by a duly authorized Person on its behalf; its execution, delivery and performance hereof have been duly authorized by all appropriate action and do not and will not conflict with or result in any breach of any provision of any law, regulation, order, judgment, writ, injunction, license, permit, agreement or instrument to which it is subject. The Purchaser hereby further represents and warrants that the execution and delivery of the Registration Rights Agreement by the Purchaser has been effected by a duly authorized Person on the Purchaser' s behalf, the execution, delivery and performance thereof has been duly authorized by all appropriate action on the Purchaser' s behalf and will not conflict with or result in any breach of any provision of any law, regulation, order, judgment, writ, injunction, license, permit, agreement or instrument to which the Purchaser is subject.

SECTION 4.3. Enforceability. Each of Perseus Capital and the Purchaser hereby represents and warrants that the execution and delivery by it of this Agreement and, in the case of the Purchaser, the Registration Rights Agreement, will result in legally binding obligations of it enforceable against it in accordance with the respective terms and provisions hereof and thereof except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies, and (iii) to the extent the indemnification provisions contained in this Agreement and/or in the Registration Rights Agreement may be limited by applicable federal or state securities laws.

SECTION 4.4. Exemption. The Purchaser understands that the Purchased Securities and any securities received upon exercise of the Warrant and the Additional Warrant are not registered under the Securities Act on the grounds that the sale provided for in this Agreement and the issuance of securities hereunder is exempt from registration under the Securities Act pursuant to section 4(2) thereof, and that the Company' s reliance on such exemption is predicated on the Purchaser' s representations set forth herein.

SECTION 4.5. Experience. The Purchaser represents that it has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company, is familiar with the risks associated with the business and operations of the Company, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment for an indefinite period of time, including the risk of a complete loss of the Purchaser' s investment in the Purchased Securities. The Purchaser represents that it has had, during the course of the transaction and prior to the purchase of the Purchased Securities, the opportunity to request information from and ask questions of the Company and its officers, employees and agents, concerning the Company, its assets, business and operations and to receive information and answers to such requests and questions.

SECTION 4.6. Restricted Securities. The Purchaser understands that the Purchased Securities and any securities received upon exercise of the Warrant and the Additional Warrant are characterized as "restricted securities" under the U.S. federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations the Purchased Securities and any securities received upon exercise of the Warrant or the Additional Warrant may be resold without registration under the Securities Act only in certain limited circumstances. The Purchaser acknowledges that the Purchased Securities and any securities received upon exercise of the Warrant or the Additional Warrant must be held indefinitely unless subsequently registered under the Securities Act and under applicable state securities laws or an exemption from such registration is available. The Purchaser acknowledges that each certificate representing the Purchased Securities shall bear a legend substantially in the following form:

"THE SECURITY REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION IN EFFECT UNDER SUCH ACT UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY ACCEPTABLE TO IT DEMONSTRATING THAT SUCH SALE OR TRANSFER IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT OR UNLESS SOLD PURSUANT TO RULE 144 OF SUCH ACT.

The foregoing legend shall be removed from the certificates representing any Purchased Securities, at the request of the holder thereof, at such time as (i) they become eligible for resale pursuant to an effective registration statement or Rule 144(k) under the Securities Act or (ii) the Company shall have received an opinion of counsel or other evidence reasonably acceptable to the Company to the effect that any transfer of the Purchased Securities represented by such certificates will not violate the Securities Act and applicable state securities laws.

SECTION 4.7. Further Limitations on Disposition. Without in any way limiting the representations set forth above, Purchaser will not to make any disposition of all or any portion of the Purchaser' s Purchased Securities and any securities received upon exercise of the Warrant or the Additional Warrant unless and until one of the following conditions have been satisfied:

(i) There is then in effect a Registration Statement under the Securities Act covering the shares intended to be disposed of, and such disposition is made in accordance with such Registration Statement; or

(ii) The Purchaser shall have notified the Company of the proposed disposition and shall have furnished the Company with a reasonably detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, the Purchaser shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company to the effect that such disposition will not require registration under the Securities Act, or the Purchaser shall have otherwise sold such shares pursuant to Rule 144 under the Securities Act.

SECTION 4.8. Accredited Investor. The Purchaser hereby represents and warrants that it is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

SECTION 4.9. Brokers or Finders. The Purchaser hereby represents that it has not taken any action that would result in the Company incurring any liability for brokerage or finders' fees or agents' commissions for any similar charges in connection with the transactions contemplated by this Agreement.

ARTICLE V

CONDITIONS TO THE PURCHASER' S OBLIGATIONS TO PURCHASE THE INITIAL OR REQUESTED SHARES

The Purchaser' s obligation to purchase the Initial Shares or the Requested Shares pursuant to Section 2.1 of this Agreement is subject to compliance by the Company with its agreements and representations herein contained, and to the satisfaction, on or prior to the applicable Closing Date, of the following conditions (except to the extent any such conditions may be waived in writing by the Purchaser):

SECTION 5.1. Representations and Warranties. The Company' s representations and warranties contained in Article III hereof shall be true and correct in all material respects on and as of such Closing Date with the same force and effect as though made on and as of such Closing Date and the Company shall have performed and complied with all conditions and agreements required to be performed or complied with by each of them prior to such Closing.

SECTION 5.2. Legality; Governmental and Other Authorizations. The purchase of the Purchased Securities to be acquired on such Closing Date by the Purchaser shall not be prohibited by any law or governmental order or regulation, and shall not subject the Purchaser to any penalty, special tax or other onerous condition. All necessary consents, approvals, licenses, permits, orders and authorizations of, or registrations, declarations and filings with, any

governmental or administrative agency or of or with any other Person, with respect to any of the transactions contemplated by this Agreement shall have been duly obtained or made and shall be in full force and effect other than any applicable state securities law or blue sky filings.

ARTICLE VI

CONDITIONS TO THE COMPANY' S OBLIGATIONS

The Company' s obligation to sell and issue the Purchased Securities pursuant to this Agreement is subject to compliance by the Purchaser with the agreements herein contained, and to the satisfaction on or prior to the applicable Closing Date, of the following conditions:

SECTION 6.1. Representations. The representations made by Perseus in Article IV hereof shall be true and correct in all material respects when made and shall be true and correct in all material respects as of such Closing Date.

SECTION 6.2. Legality; Governmental and Other Authorizations. The issuance and sale of the Purchased Securities by the Company at such Closing shall not be prohibited by any law or governmental order or regulation, and shall not subject the Company to any penalty, special tax, or other onerous condition. All necessary consents, approvals, licenses, permits, orders and authorizations of, or registrations, declarations and filings with, any governmental or administrative agency or of or with any other Person, with respect to any of the transactions contemplated by this Agreement shall have been duly obtained or made and shall be in full force and effect other than any applicable state securities law or blue sky filings.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1. Notices. All demands, notices, requests, consents and other communications required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by facsimile machine (with a confirmation copy sent by one of the other methods authorized in this Section), commercial (including FedEx) or U.S. Postal Service overnight delivery service, or, deposited with the U.S. Postal Service mailed first class, registered or certified mail, postage prepaid, as set forth below:

If to the Company, addressed to:

F. William Capp
President and CEO
Beacon Power Corporation
234 Ballardvale Street
Wilmington, MA 01887
Fax: (978) 988-1337

with a copy to:

Edwards & Angell, LLP
101 Federal Street
Boston, MA 02110
Attention: Albert L. Sokol, Esq.
Fax: (617) 439-4170

If to Perseus Capital or the Purchaser at the address set forth on the signature page hereto.

Notices shall be deemed given upon the earlier to occur of (i) receipt by the party to whom such notice is directed; (ii) if sent by facsimile machine, on the day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) such notice is sent if sent (as evidenced by the facsimile confirmed receipt) prior to 5:00 p.m. Eastern Time and, if sent after 5:00 p.m. Eastern Time, on the day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) after which such notice is sent; (iii) on the first business day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) following the day the same is deposited with the commercial carrier if sent by commercial overnight delivery service; or (iv) the fifth day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) following deposit thereof with the U.S. Postal Service as aforesaid. Each party, by notice duly given in accordance therewith may specify a different address for the giving of any notice hereunder.

SECTION 7.2. Amendments and Waivers, Joinder. Except as otherwise expressly provided herein, any term of this Agreement may be amended only with the written consent of the Company and the Purchaser. Any amendment or waiver effected in accordance with this Section shall be binding upon the Company and each holder of any Purchased Securities sold pursuant to this Agreement.

SECTION 7.3. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY VOLUNTARILY AND IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR OTHER PROCEEDING BROUGHT IN CONNECTION WITH THIS AGREEMENT, ANY OF THE RELATED AGREEMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 7.4. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original and all of which will constitute one and the same agreement.

SECTION 7.5. Entire Agreement. This Agreement and the other writings referred to herein or delivered pursuant hereto which form a part hereof contain the entire agreement and understanding of the parties hereto with respect to the subject matter hereof. This Agreement supersedes all prior and contemporaneous discussions, agreements and understandings related to said subject matter.

SECTION 7.6. Survival of Representations and Warranties, etc. All representations and warranties contained herein shall survive until 12 months from the date hereof.

SECTION 7.7. Assignment. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, whether so expressed or not, and, in particular, shall inure to the benefit of and be enforceable by the holder or holders at the time of any of the Purchased Securities. The Purchaser' s obligations hereunder may be assigned by Perseus to one or more of its affiliates provided such transferee agrees in writing to be bound by the provisions hereof that apply to the "Purchaser."

SECTION 7.8. Governing Law. This Agreement shall be governed by the laws of the State of Delaware, without regard to the conflicts of law provisions thereunder.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement is executed and delivered as of the date first written above by the undersigned who hereby agrees to be bound by the terms and provisions set forth in the Agreement.

BEACON POWER CORPORATION

By: /s/ JAMES M. SPIEZO
Name: James M. Spiezo
Title: CFO

PERSEUS 2000 EXPANSION FUND, L.L.C.

By: /s/ KENNETH M. SOCHA
Name: Kenneth M. Socha
Title: Senior Managing Director
Address: 2099 Pennsylvania Avenue, NW
Suite 900
Washington, DC 20006

PERSEUS CAPITAL, L.L.C.

By: /s/ KENNETH M. SOCHA
Name: Kenneth M. Socha
Title: Senior Managing Director
Address: 2099 Pennsylvania Avenue, NW
Suite 900
Washington, DC 20006

EXHIBIT 3

LETTER AGREEMENT

April 22, 2005

Beacon Power Corporation
Attn: President
234 Ballardvale Street
Wilmington, MA 01887

Re: Letter Agreement by NxtPhase Shareholder

Dear Sirs:

In order to induce Beacon Power Corporation, a Delaware corporation ("Beacon"), to execute the Arrangement Agreement dated April 22, 2005 (the "Arrangement Agreement") by and among Beacon, Beacon Acquisition Co., a Nova Scotia unlimited liability company, and NxtPhase T&D Corporation, a Canadian corporation ("NxtPhase"), and to issue to the undersigned shareholder of NxtPhase (the "Shareholder") shares of common stock, $0.01 par value per share, of Beacon (the "Beacon Shares") pursuant to the Arrangement Agreement, (1) the Shareholder represents, warrants and covenants as set forth in the attached Exhibit A and (2) the Shareholder agrees to the provisions set forth in the attached Exhibit B.

The Shareholder acknowledges and agrees that, in accordance with that certain Investor Rights Agreement dated as of November 12, 2004 (the "Investor Rights Agreement") by and among NxtPhase and the holders of Class A preferred shares of NxtPhase, the Option (as defined in the Investor Rights Agreement) was duly assigned by Perseus 2000, L.L.C., a Delaware limited liability company, to Beacon on April 22, 2005. The Shareholder further agrees that Beacon may enforce the Shareholder' s obligations related to the Option as if Beacon were a direct party to such Option. In the event of any conflict between the terms and conditions of the Arrangement Agreement and the terms and conditions of the Option, the terms and conditions of the Arrangement Agreement shall prevail.

The Shareholder has carefully read this Letter Agreement, including all exhibits attached hereto (this "Letter Agreement"), and discussed its requirements, to the extent the Shareholder believes necessary, with its counsel and with counsel for NxtPhase. The Shareholder also acknowledges that Beacon is relying on this Letter Agreement as an inducement in its entering into the Arrangement Agreement.

The Shareholder understands that Beacon is entering into letter agreements substantially similar to this Letter Agreement with certain other NxtPhase shareholders. This Letter Agreement and any other documents entered into by the Shareholder as requested by Beacon in connection herewith will be voidable *ab initio* at the instance of the Shareholder and have no force and effect if:

1. the transactions contemplated in the Arrangement Agreement are not consummated as contemplated therein or the Arrangement Agreement is for any reason terminated;

2. Section 2.1 of and Schedule A to the Arrangement Agreement are amended, restated, changed, revised or replaced without the Shareholder' s prior written consent; or

3. any of the letter agreements with Perseus 2000, L.L.C., El Dorado Investment Company or Working Opportunity Fund (EVCC) Ltd. are amended, restated or terminated.

In consideration of the Shareholder executing this Letter Agreement, Beacon undertakes to promptly advise the Shareholder in writing of the occurrence of any of the events listed in items 1 to 3 in the immediately preceding paragraph.

Each of Beacon, NxtPhase and the Shareholder acknowledge and agree that the Arrangement Agreement does not confer any rights or remedies upon any person other than Beacon and NxtPhase and their respective successor and permitted assigns; provided, however, that (a) the provisions in Section 2.1 of the Arrangement Agreement concerning the issuance of such number of Beacon Shares to the Shareholder calculated pursuant to the Exchange Value and (b) the provisions of Schedule A are intended for the benefit of the Shareholder.

Very truly yours,

Washington, D.C.
Jurisdiction of Residence

PERSEUS 2000, L.L.C.
Print Name of Shareholder

By: /s/ KENNETH M. SOCHA
Signature

478,587
No. of NxtPhase Common Shares held

2099 Pennsylvania Ave., N.W.
Address Washington, DC 20006

902,698
No. of NxtPhase Class A Shares held

Agreed and accepted as of the first date written above:
BEACON POWER CORPORATION

By: /s/ JAMES M. SPIEZO
Name: James M. Spiezo
Title: CFO

NXTPHASE T&D CORPORATION

By: /s/ ANDREA JOHNSTON
Name: Andrea Johnston
Title: President

Exhibit A

Representations, Warranties, and Covenants

(a) The Shareholder has good and marketable title, free and clear of any and all liens, encumbrances or security interests, to all of the shares of capital stock of NxtPhase (the "NxtPhase Shares") surrendered by the Shareholder to Beacon pursuant to the plan of arrangement contemplated by the Arrangement Agreement (the "Plan of Arrangement"), and has the full right, power and authority to surrender such NxtPhase Shares to Beacon pursuant to the Plan of Arrangement. The Shareholder is the holder of such number of NxtPhase Shares (both NxtPhase Class A shares and common shares) as set forth opposite its or his address above.

(b) In the event the Shareholder is a Rule 145 Affiliate (as defined in the Arrangement Agreement), the Shareholder acknowledges and agrees that Beacon shall be entitled to place appropriate legends on the certificates evidencing any Beacon Shares to be received by such Rule 145 Affiliate pursuant to the terms of the Arrangement Agreement reflecting the restrictions set forth in Rule 145 promulgated by the Securities Act of 1933, as amended, and to issue appropriate stop transfer instructions to the transfer agent for Beacon Shares. Beacon hereby agrees to use its commercially reasonable efforts to take whatever steps are reasonably necessary to ensure that all Beacon Shares issued or issuable to the Shareholder are freely tradable and unrestricted and that it will maintain its listing on a stock exchange for ten years hereafter.

(c) The Shareholder is a resident in the jurisdiction set forth opposite its name above.

(d) The Shareholder acknowledges receipt of a copy of the final Arrangement Agreement. The Shareholder represents to Beacon, to the best of its "Knowledge" (as defined below), that no statement contained in the Arrangement Agreement relating to NxtPhase contains any untrue statement of a material fact, or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading. The Shareholder covenants to provide to Beacon, within five (5) days of the receipt of the final joint proxy statement/ prospectus of Beacon and NxtPhase on Form S-4 (the "Registration Statement"), a representation as to the accuracy of the statements in the Registration Statement as follows: To the best of the Shareholder' s Knowledge, no statement contained in the Registration Statement relating to NxtPhase contains any untrue statement of a material fact, or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading. As used in this Section (d), "Knowledge" with respect to the Shareholder means the actual knowledge of Kenneth M. Socha, Philip J. Deutch, John C. Fox and Lisa M. Schule, after reasonable inquiry.

(e) In consideration of the covenants and promises contained in the Arrangement Agreement, including the issuance of the Beacon Shares by Beacon, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Shareholder, including its respective predecessors, successors, parents, subsidiaries, agents, servants, employees, attorneys, insurers, heirs and assigns, does hereby release, remise and forever discharge NxtPhase, including its predecessors, successors, parents, subsidiaries, agents, servants, employees, attorneys, insurers, heirs and assigns from any and all debts, actions, causes of actions, suits, accounts, covenants, contracts, agreements, tort, damages and any and all claims, demands and liabilities whatsoever, of every name and nature, whether

known or unknown, suspected or claimed, whether the Shareholder now has or ever had against NxtPhase (collectively, the "Claims") since the beginning of time to the date of this Letter Agreement, both at law and in equity, including but not limited to any rights to receive dividends, vote, rights of first refusal to obtain or purchase shares or securities of NxtPhase and rights related to the board of directors of NxtPhase, to the extent existing with respect to, arising out of, or relating to, the Shareholder' s having owned or had the right to acquire securities of NxtPhase; provided, however, the foregoing release shall not apply to any Claim relating to the Arrangement Agreement and the transactions contemplated therein. The Shareholder agrees to reconfirm the release set forth in this Section (e) as of the date the arrangement, as contemplated by the Arrangement Agreement, becomes effective, as shown on the certificate of arrangement to be issued to NxtPhase (the "Effective Date").

(f) In the event the Shareholder is a resident of, or its principal place of business is located in, British Columbia or Ontario, the Shareholder agrees that the Beacon Shares are subject to the restrictions set forth in Multilateral Instrument 45-102 "*Resale of Securities*," as adopted by the British Columbia Securities Commission and the Ontario Securities Commission, respectively.

(g) In the event the Shareholder is a resident of, or its principal place of business is located in, Quebec, the Shareholder agrees that its participation in the Plan of Arrangement is subject to regulatory approval in Quebec. Beacon hereby agrees to use its commercially reasonable efforts to take whatever steps are reasonably necessary to ensure that an exemption is obtained from the Autorité des marches financiers.

(h) The Shareholder hereby agrees that, in the event of any conflict between the terms and conditions of the Arrangement Agreement and the terms and conditions of the Option, the terms and conditions of the Arrangement Agreement shall prevail. For the avoidance of doubt, (i) the Exchange Value (as defined and calculated as set forth in the Arrangement Agreement) shall determine the number of Beacon Shares issuable to the Shareholder as provided in the Arrangement Agreement and (ii) Section 7.4 of the Investor Rights Agreement shall remain in full force and effect.

(i) The Shareholder covenants and agrees to execute, upon request, any additional documents, transfers and other assurances as may be necessary or desirable to complete the exchange of certificate(s) representing NxtPhase Shares for Beacon Shares.

Exhibit B

Indemnification

1.1 Indemnification by the Shareholder. The Shareholder shall indemnify Beacon in respect of, and hold it harmless against, any and all debts, obligations and other liabilities (whether absolute, accrued, contingent, fixed or otherwise, or whether known or unknown, or due or to become due or otherwise), monetary damages, fines, fees, penalties, interest obligations, deficiencies, losses and expenses (including without limitation amounts paid in settlement, interest, court costs, reasonable costs of investigators, reasonable fees and expenses of attorneys, accountants, financial advisors and other experts, and other reasonable expenses of litigation) (collectively, "Damages") incurred or suffered by Beacon resulting from, relating to or constituting:

(a) any misrepresentation, breach of warranty or failure to perform any covenant or agreement of the Shareholder contained in this Letter Agreement or in any agreement, representation or other document which the Shareholder has with or delivers to NxtPhase and/or Beacon pursuant to the Plan of Arrangement; or

(b) any failure of the Shareholder to have good, valid and marketable title to the NxtPhase Shares exchanged for Beacon Shares, free and clear of all security interests, liens and encumbrances.

1.2 Indemnification Claims.

(a) *General.* In order to seek indemnification under this Exhibit B, Beacon (the "Indemnified Party") shall give written notice (a "Claim Notice") to the party from whom indemnification is sought (an "Indemnifying Party") which contains (i) a description and the amount (the "Claimed Amount") of any Damages incurred or reasonably expected to be incurred by the Indemnified Party, if reasonable to determine, (ii) a reasonable explanation of the basis for indemnification pursuant to this Exhibit B, and (iii) a demand for payment in the amount of such Damages, if reasonable to determine.

(b) *By Third Parties in Suits/Proceedings.* The Indemnified Party shall give written notification to the Indemnifying Party of the commencement of any suit or proceeding relating to a third party claim for which indemnification pursuant to this Exhibit B may be sought (a "Third Party Claim"). Such notification shall be given promptly after receipt by the Indemnified Party of notice of such suit or proceeding, and shall describe in reasonable detail (to the extent known by the Indemnified Party) the facts constituting the basis for such suit or proceeding and the amount of the claimed damages; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party of any liability or obligation hereunder except to the extent of any damage or liability caused by or arising out of such failure.

The Indemnified Party shall control the defense of any Third Party Claim. The Indemnifying Party may participate therein at its own expense. The Indemnified Party shall keep the Indemnifying Party advised of the status of such suit or proceeding and the defense thereof. The Indemnifying Party shall furnish the Indemnified Party with such information as it may have with respect to such suit or proceeding (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and shall otherwise cooperate with and assist the Indemnified Party in the defense of such suit

or proceeding. The Indemnified Party shall not agree to any settlement of, or the entry of any judgment arising from, any such suit or proceeding without the prior written consent of the "Representative" (as defined below), which shall not be unreasonably withheld or delayed. As used herein, "Representative" shall mean El Dorado Investment Company or such other shareholder of NxtPhase designated in writing by all other shareholders of NxtPhase who have signed Letter Agreements with Beacon similar to that to which this Exhibit is attached. A change in the Representative shall be effective on the date the Indemnified Party receives written notice thereof.

(c) *Procedure for Claims Not Made by Third Parties.* Within 20 days after delivery of a Claim Notice, the Indemnifying Party shall deliver to the Indemnified Party a written response (the "Response") in which the Indemnifying Party: (i) agrees that the Indemnified Party is entitled to receive all of the Claimed Amount (in which case the Response shall be accompanied by a payment by the Indemnifying Party to the Indemnified Party of the Claimed Amount, by delivery of an appropriate number of Beacon shares, computed as described in Section 1.4, below), (ii) agrees that the Indemnified Party is entitled to receive part, but not all, of the Claimed Amount (the "Agreed Amount") (in which case the Response shall be accompanied by a payment by the Indemnifying Parties to the Indemnified Party of the Agreed Amount, by delivery of an appropriate number of Beacon shares, computed as described in Section 1.4, below), or (iii) disputes that the Indemnified Party is entitled to receive any of the Claimed Amount. If the Indemnifying Party in the Response disputes its liability for all or part of the Claimed Amount, the Indemnifying Party and the Indemnified Party shall follow the procedures set forth below in this 1.2(c) for the resolution of such dispute (a "Dispute").

During the 60-day period following the delivery of a Response that reflects a Dispute, the Indemnifying Party and the Indemnified Party shall use good faith efforts to resolve the Dispute. If the Dispute is not resolved within such 60-day period, the Indemnifying Party and the Indemnified Party shall discuss in good faith the submission of the Dispute to a mutually acceptable alternative dispute resolution procedure (which may be binding or non-binding upon the parties, as they agree in advance) (the "ADR Procedure"). In the event the Indemnifying Party and the Indemnified Party agree upon an ADR Procedure, such parties shall, in consultation with the chosen dispute resolution service (the "ADR Service"), promptly agree upon a format and timetable for the ADR Procedure, agree upon the rules applicable to the ADR Procedure, and promptly undertake the ADR Procedure. The provisions of this 1.2(c) shall not obligate the Indemnifying Party and the Indemnified Party to pursue an ADR Procedure or prevent such parties from pursuing the Dispute in a court of competent jurisdiction; provided, that, if the Indemnifying Party and the Indemnified Party agree to pursue an ADR Procedure, neither the Indemnifying Party nor the Indemnified Party may commence litigation or seek other remedies with respect to the Dispute prior to completion of such ADR Procedure. Any ADR Procedure undertaken by the Indemnifying Party and the Indemnified Party shall be considered a compromise negotiation for purposes of federal and state rules of evidence, and all statements, offers, opinions and disclosures (whether written or oral) made in the course of the ADR Procedure by or on behalf of the Indemnifying Party, the Indemnified Party or the ADR Service shall be treated as confidential and, where appropriate, as privileged work product. Such statements, offers, opinions and disclosures shall not be discoverable or admissible for any purposes in any litigation or other proceeding relating to the Dispute (provided that this sentence shall not be construed to exclude from discovery or admission any matter that is otherwise discoverable or admissible). The fees and expenses of any ADR Service used by the Indemnifying Party and the Indemnified Party shall be shared equally by the Indemnifying Party and the Indemnified Party.

(d) *Third party Issues When No Lawsuit.* Notwithstanding the other provisions of this Section 1.2, if a third party asserts (other than by means of a lawsuit covered by clause (b)) that the Indemnified Party is liable to such third party for a monetary or other obligation which may constitute or result in Damages for which the Indemnified Party may be entitled to indemnification pursuant to this Exhibit B, and the Indemnified Party reasonably determines that it has a valid business reason to fulfill such obligation, then (i) the Indemnified Party shall be entitled to satisfy such obligation, without prior notice to or consent from the Indemnifying Party, (ii) the Indemnified Party may subsequently make a claim for indemnification in accordance with the provisions of this Exhibit B, and (iii) the Indemnified Party shall be reimbursed, in accordance with the provisions of this Exhibit B, for any such Damages for which it is entitled to indemnification pursuant to this Exhibit B (subject to the right of the Indemnifying Party to dispute the Indemnified Party' s entitlement to indemnification, or the amount for which it is entitled to indemnification, under the terms of this Exhibit B).

1.3 Survival of Representations and Warranties. All representations and warranties contained in this Letter Agreement shall survive the Effective Date and expire on the date 24 months following the Effective Date. If an Indemnified Party delivers to the Indemnifying Party, before expiration of a representation or warranty, either a Claim Notice based upon a breach of such representation or warranty, or a notice that, as a result of a legal proceeding instituted by or written claim made by a third party, the Indemnified Party reasonably expects to incur Damages as a result of a breach of such representation or warranty (an "Expected Claim Notice"), then such representation or warranty shall survive until, but only for purposes of, the resolution of the matter covered by such notice. If the legal proceeding or written claim with respect to which an Expected Claim Notice has been given is definitively withdrawn or resolved in favor of the Indemnified Party, the Indemnified Party shall promptly so notify the Indemnifying Party.

1.4 Limitations.

(a) The Shareholder shall not be liable:

(i) pursuant to Section 1.2(b) for any individual claim that is less than $25,000,

(ii) for any claim by Beacon unless the aggregate of all claims by Beacon against the Shareholder exceeds $150,000,

(iii) to pay cash to Beacon, it being understood that Beacon' s claims for all amounts shall be satisfied by the Shareholder returning to Beacon a number of Beacon Shares equal to the amount of the Damages (valuing the Beacon Shares using the same methodology as employed under the Arrangement Agreement),

(iv) for Damages exceeding the aggregate value of the Beacon Shares issued to such Shareholder (valuing the Beacon Shares using the same methodology employed under the Arrangement Agreement).

(v) subject to the limitations set forth in this Section 1.4, in excess of the Shareholder' s proportionate share of Damages resulting from a breach of a representation, warranty, covenant or obligation of NxtPhase contained in the Arrangement Agreement as of the Effective Date of the Plan of Arrangement, calculated by dividing the total amount of such Damages by the total number of Beacon shares of common stock issued to all of NxtPhase shareholders on such Effective Date and then multiplying that fraction by the number of Beacon Shares held by the Shareholder.

For greater clarity, the Shareholder will not be jointly and severally liable for Damages owing by any other NxtPhase shareholder either for breaches relating to such other shareholder' s title to its NxtPhase Shares, breaches of any agreement between such other shareholder and Beacon, or for such other shareholder' s proportionate share of Damages resulting from a breach of a representation, warranty, covenant or obligation of NxtPhase.

(b) No Indemnifying Shareholder shall have any right of contribution against NxtPhase or the surviving corporation after the Effective Date.

(c) Recovery against the aggregate number of Beacon Shares issued to the Shareholder pursuant to the Arrangement Agreement will be the sole and exclusive remedy for satisfaction of indemnification. After exhaustion of the Shareholder' s indemnity, Beacon hereby agrees not to take, directly or indirectly, any action against the Shareholder or any third party that may make a counterclaim against the Shareholder that would exceed the Shareholder' s indemnity as provided in this Section 1.4.